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ABSTRACT

The Appalachian Regional Commission (ARC), established by Congress in 1965, is a unique partnership of federal, state, and local government action attempting to provide every person living in the region with the health and skills needed to compete in everyday life and to attract new industry to the region, thus providing more jobs and a more diversified economic base. The ARC believes that with the further help of its programs, the region can continue to capitalize on its 14 years of progress. In support of this position, this report organizes information into four sections. Section I describes regional conditions in the areas of jobs, population, income, health, education, housing and community facilities and outlines ARC principles. Section II explains the ARC partnership, 1975 Amendments to the Appalachian Regional Development Act, and its planning process. Section III presents data on the six categories of ARC's functional programs: highways; community services and business development; human services; natural resources, environment and energy; Commission and state research; and local development district administrative support. Section IV contains drafts of the proposed 1978 Amendments to the Appalachian Regional Development Act and the Balanced Growth and Regional Development Act of 1978. Appendices furnish related statistics, maps, bibliographies and trends. (NEC)

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A REPORT TO CONGRESS ON THE CONTINUATION OF THE APPALACHIAN REGIONAL COMMISSION

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Washington, D.C. 20235

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What is ARC?

The Appalachian Regional Commission (ARC) is composed of the Governors of the 13 states that comprise Appalachia and a federal cochairman who is appointed by the President. A states' cochairman is elected from among the Governors; the position is rotated among the states. The Governors appoint a states' Washington representative who represents the interests of the states on a day-to-day basis within the Commission. The Commission's staff of about 110 persons is headed by an executive director.

For many years, Appalachia, despite its rich natural resources, has suffered from chronic economic and social distresses: isolation; a lack of transportation to counteract its inaccessibility; boom-and-bust cycles of prosperity and poverty; unemployment; inadequate public facilities; a lack of social services. The Commission was established by Congress in 1965 as a means of building a better economy and a better quality of life for Appalachia and its inhabitants.

ARC represents a unique experiment in cooperation and in American government. The Commission's development program is the largest and most diversified effort of its kind ever undertaken in the United States. And ARC itself is a unique partnership of federal, state and local government.

This partnership is the key to the way in which ARC does business for Appalachia. A development program or a specific project proposal can be brought before the Commission only by a state: no projects can be initiated at the federal level. All formal approvals of state investment programs require the affirmative vote of a majority of the Commission's member states and the federal cochairman.

A basic element in the ARC partnership is local participation in the Commission's development program. To assist local planning and to ensure that ARC funds are used to serve local communities, the Commission, through its member-states, works with areawide planning and development agencies, known as local development districts (LDDs). Each LDD has a board, consisting of elected officials and public representatives of several counties, and a professional staff. The board and staff work with the local citizenry to assess local needs, to determine local priorities and to prepare local development plans based upon those needs and priorities.

The primary goals of the Appalachian program include:

* providing every person living in the Region with the health and skills needed to compete in everyday life wherever he or she chooses to live.
* attracting new industry and manufacturing to the Region, thus providing more jobs and a more diversified economic base.

To accomplish these aims, Appalachia must have an adequate transportation system, community facilities (sewers, water and solid waste disposal systems, housing and related amenities), schools and hospitals and must take advantage of its rich natural resources without harm to the environment.

What Is Appalachia?

Appalachia, as defined in the legislation from which the Appalachian Regional Commission derives its authority, is a 195,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of twelve other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia.

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March 1979

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Washington, D.C. 20235

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INTRODUCTION

The Appalachian Regional Commission was established by Congress in 1965 to assist the Appalachian Region overcome its special problems of isolation and economic deterioration. In so doing, Congress created an innovative local, state, and federal partnership designed to promote long-term economic development on a coordinated regional basis. It was the expectation of Congress that the Commission's efforts would generate a diversified employment base and produce a self-sustaining economy. The foundation of highways, community facilities, human resource programs and institutions, while not complete, has provided in a short 14-year period the basis for many sound economic and community development achievements.

The Commission believes that with the further help of its program, the Region can continue to capitalize on this foundation of progress and continue to take advantage of constantly arising new opportunities. The Commission also believes that its partnership approach remains a valid, viable concept and that the planning and decision-making process evolving from this concept provides the Region with a sound basis for further accomplishment.

In support of this position, this report --

- describes changes in Appalachia since 1965;
- discusses the unique manner in which the Commission is organized to carry out its tasks;
- reports on activities in each of the Commission's major programs emphasizing the response to the 1975 amendments to its Act; and
- identifies legislative changes needed to better support the continuing development of the Region.

In seeking continuation and some amendments for its program, the Commission is mindful not only of its record but also, and more important, of the continuing complex needs of the people of Appalachia. The changes proposed can be viewed primarily as perfecting amendments designed to give the Commission a more complete arsenal of tools with which to deal with the Region's problems and opportunities.

This report begins with an Overview that summarizes the key points of the entire document...

An Overview

REGIONAL CONDITIONS

As we look back over the life of the program, many signs of positive change are evident in the Region. For example:

- Appalachia's poverty population has decreased since 1960 from 31 percent of the total populace to about 14 percent in 1976. This represents a 55 percent decline in poverty incidence, during a period when nationwide figures showed a 48 percent decline.
- Over the past few decades Appalachia lost many of its residents through outmigration. This trend has now been reversed. Since 1970, the Region has gained an average of 58,000 persons per year through inmigration.
- Between 1965 and 1977, the Region added approximately 1.48 million jobs. This job increase brought Appalachia's official unemployment rate down to 7.2 percent in 1977, a level more nearly approximating the national average of 7.0 percent; the Region's unemployment rate in the early 1960s had been nearly double that of the nation.
- The Region can report both absolute and relative increases in per capita income; between 1965 and 1976, Appalachian total personal income per capita climbed from 78 percent to 85 percent of the national average.
- In education, as of 1960 only one-third of the Region's adult population had completed high school. By 1976 the percentage is estimated to have risen to just over one-half of the adults.
- In the area of health, the average number of physicians in the Region improved from 92 for every 100,000 residents in 1963 to 116 per 100,000 in 1976.

At the same time, the Region still lags behind the nation:

- The region remains one of America's largest pockets of poverty -- 2.7 million of its 19 million inhabitants live in poverty.
- If one goes beyond official unemployment rates, one will find a large amount of "hidden unemployment" that owes its legacy to the severe economic conditions that existed during the 1950s and early 1960s. We estimate that if you add in this so-called hidden unemployment -- largely those who have been discouraged from looking for jobs -- the true unemployment rate in many Appalachian communities would double the published figures.
- There are still wide disparities in per capita income. This income gap affects the ability of state and local governments to meet the cost of essential services and facilities, since low personal incomes mean low tax revenues. Only six counties out of the Region's 397 have an average per capita income that has reached the national income average. State and local governments have made significant commitments of their limited revenues and borrowing capacity in the last decade. At the state level, between 1966 and 1977, total state funds spent annually in Appalachia climbed from $2.4 billion to more than $7.6 billion.

- While the Region's adult population with a high school education was 53 percent in 1976, the nation's average was 64 percent.

- Despite improvements in the availability of health facilities and the delivery of health and child development services in many areas of Appalachia, serious health deficits remain. Appalachians continue to be afflicted with high incidence of hepatitis, streptococcus, tuberculosis, measles and rubella. Parts of Appalachia continue to have infant mortality rates that exceed those for the rest of the nation. Meanwhile the Region's shortage of physicians and supporting health manpower continues. A 1976 survey shows that the physician-population ratio in Appalachia is only 66 percent of the U.S. average -- 116 per 100,000 in Appalachia; 174 per 100,000 for the nation.

- In 1970 13 percent of the nation's housing units were deficient while over 18 percent of the Region's units were deficient. This represents over one million Appalachian homes. Over 69 percent of these units lacked one or more plumbing facilities and 32 percent had plumbing, but were overcrowded. This situation still prevails today.

Furthermore, the very features which have given the Region its beauty and appeal pose challenges to be met in fostering development while protecting its natural environment:

- Appalachia's population is generally more scattered and less concentrated in large urban areas than the national population -- 60 percent of the nation lived in large urban areas in 1970, compared to only 30 percent in the Region; at the opposite extreme, 45 percent of Appalachia's population lives in dispersed locations, compared to a national average of only 22 percent. In short, Appalachian geography has dictated a pattern of small urban type settlements of under 1,000 people widely scattered along its valleys and streams. Consequently, the usual approaches to the delivery of public services in urban and suburban areas are often not suitable to the Region -- and are more costly when applied there.

- The Region's rugged, mountainous terrain limits land available for development. Available sites for housing, industrial, and commercial facilities are more limited than in most areas of the nation.

- Parts of the Region are isolated which makes it difficult to get people to services or services to people.

A LOOK TO THE FUTURE

Much remains to be done to meet the goals envisioned by Congress in 1965, including carrying forward those basic activities now provided by the Commission. The Commission has developed a way of "doing business" that should be preserved. Its system is working as it was intended to work. The Commission's experience has shown that decisions reached through a full federal and state partnership are sound and produce effective results. The partnership's strengths are flexibility, responsiveness, strengthening state and local government capability to deal with Appalachian problems, and the opportunities for participation of state and local governments, federal agencies, citizens and the private sector.

Several major conclusions regarding future directions for the Commission's development strategies and programs came out of the extensive series of state and local development district public meetings, state and regionwide conferences, and Commission meetings held since the 1975 amendments:

- The authorized Appalachian Development Highway System must be completed to contribute to the continued development of the Region.
- While continuing to make progress in its human resources program, the Commission must be better able to respond to the needs of the people in isolated, hard-to-reach, underserved areas and in emerging small communities in the Region.
- The Commission must help the Region contribute to meeting the nation's energy needs and take steps to secure special assistance for those areas impacted by energy development.
- The Commission must be better able to provide encouragement for the continued success of small businessmen, small agricultural enterprises and other private enterprises which provide jobs and income opportunities.
- The provision of adequate housing continues to be a major problem in the Region with the acquisition and development of housing sites of crucial importance.

The Commission is committed to responding to these concerns and is proposing a number of amendments to our authorizing Act.

The Commission is recommending two small but significant changes in the findings and statement of purpose of the Act. The existing provision that public investments are to be concentrated in areas where there is a significant potential for future growth is amended to affirm that such potential may be exhibited by emerging small cities and by areas affected by energy development. Language is also added to make clear that one of the fundamental purposes of the program is the provision of services to people in the Region, including those in remote, hard-to-reach areas where there are special problems in providing such services. This elaborates on a 1975 amendment which declared that, while substantial progress has been made in the Region, especially in the provision of essential public facilities, much remained to be accomplished in the provision of essential health, education, and other public services.

A proposed amendment to Section 202 of the Act would provide clear and explicit program authority to address the acute need for provision of human services and facilities to people in underserved and remote or hard-to-reach areas and areas impacted by energy development. The objective of this amendment is to make authority available to the Commission to provide direct support through the states for innovative projects and demonstrations of packaging and delivering a range of human services and related public facilities. Under the proposed approach, the Commission would make grants available directly to the states to develop demonstration programs in conjunction with their local development districts and other appropriate local agencies. The initiative for packaging a number of programs would thus be provided at the level of government closest to the people and best equipped to respond. Efforts cutting across traditional program lines can be developed and would provide coordinated services to those who need them.

This authority would be used particularly where insufficient federal grant funds are available, where there is no federal agency authority, where the innovative risks inhibit federal agency participation, or where federal agency practice or policy favors larger projects or different types of projects. For example, a packaged program which would include a variety of health and education services could be combined in one grant application. Moreover, ancillary needs such as transportation, utilities, and other public services for users could also be included.

By working directly with the states, this approach permits those packaging the programs to proceed unhampered by the conflicting requirements of the wide range of program authorities which would otherwise have to be used. Although no one of the conflicting or limiting restrictions might appear to be significant or difficult to overcome, cumulatively the range of requirements is enough to add administrative burdens, consume time, and postpone final operation long enough so that projects never get underway.

Restrictions in the present authority for Commission low- and moderate-income housing assistance programs limit its ability to carry out its program effectively. Site purchase is a critical element in project success. The present restriction which limits site and offsite improvement costs to 10 percent of the total project costs has become completely unrealistic in Appalachia, especially in remote areas and on rocky, steep terrain where such costs frequently exceed 25 percent of total project costs. This situation is precisely the condition obstructing residential development in coal-producing areas. The proposed amendment would lift present restrictions by permitting ARC assistance for site purchase and removing the ceiling on the costs eligible for site and offsite improvements.

The Commission is also proposing an amendment to help deal with the needs of small businessmen, small farmers, and other private enterprises. Business development in the Region has labored under two severe handicaps. First, federal programs that have supported technical assistance to small businessmen and small agricultural enterprises have been unable to adequately serve rural areas of the Region because of limited federal resources. Secondly, those financial resources available have been concentrated in support of the dominant industries.

The Commission's response to these problems has been to establish a technical assistance program designed to provide active support for the establishment and expansion of small private enterprises. A proposed amendment would enable the Commission to follow up more fully on the business development potentials in its current efforts. It would permit grants to states for establishing revolving funds to be used for loans to small businessmen, small farmers, timber operators, and arts and crafts enterprises. This loan approach is not new to the Commission. The state Appalachian housing program, authorized by Congress, has provided the Commission and its member states with experience in administering such programs.

Other amendments proposed by the Commission extend the Commission and its nonhighway program through September 1983 and its highway and access road program through September 1985. The amendment to current highway program authority merely continues current authorization levels so that work can progress on the authorized highway system.

THE COMMISSION'S RECORD

The Commission

The Appalachian Regional Commission is composed of the governors of the 13 states that comprise Appalachia and a federal cochairman who is appointed by the President. A states' cochairman is elected from among the governors; the position is rotated annually among the states. The executive director of the Commission is appointed by and reports to the governors and federal cochairman jointly; he heads a permanent staff of approximately 115 persons.

In the Commission program, projects are initiated at the state and local level and included in the annual state development plans and investment programs. These plans and investment programs must be approved by the Commission. The federal cochairman represents national interests in the Commission's deliberations and decisions. By blending in this manner the states' concerns and priorities with national policy, the Commission makes the joint decisions and determinations which constitute the regional development program.

Another group of participants has taken on increasing importance over the Commission's life. During more than a decade of experience, the multicounty local development districts (LDDs) are proving their capacity to help local governments and citizens share in economic development on an areawide (that is, development-districtwide) basis. The states rely on the LDDs for local government and citizen participation in their development planning process. Through representation on LDD boards and participation in their activities, local government completes the three-layered -- federal, state, local -- institutional framework of the Commission.

Development Planning

In its 1975 report on the extension legislation, the Senate Public Works Committee recognized the contribution that the Commission had made toward helping bring Appalachia back into the mainstream of the nation's economy. It pointed out that this contribution flows from the innovative problem-solving mechanism of the Commission and is an example of a better way of conducting business in the federal system. The Committee indicated that it considered the most significant aspect of the total Appalachian experiment to be the continuing development of the partnership between all levels of government.

The Commission's regional planning activities set the stage for funding programs and projects. The regional development planning process is not static and is subject to continual review and revision in light of changing priorities, conditions, and objectives. The process is a complex interaction of face-to-face discussion and debate which leads to the resolution of issues among a host of Appalachian citizens, federal, state and local elected officials, Congressional committees and other public servants. Their participation takes place in public meetings and hearings, conferences, advisory committee sessions, and the day-to-day interaction of the Commission, public agencies, and the private sector. The unique role of the Commission is to focus this continuous exchange of ideas and bring together the advice and recommendations of all participants into a policy consensus which leads to action. The form and design of the regional development planning process and the policy documents produced by it are the result of this total process. The planning aspect of the Commission's overall program continues to act as a model for planning and programming efforts across the nation.

The ARC regional development plan as adopted in 1977 consists of a number of documents which reflect the continuous ongoing nature of the planning process. They include:

- The statement of multistate regional policies as incorporated in the document, Goals, Objectives and Development Strategies for Appalachia.
- The statement of Commission policy and guidelines for program administration set forth in the ARC Code.
- Those policies developed and recommended by regionwide conferences which are incorporated into resolutions adopted by the Commission.
- State development policies included in Appalachian development plans and investment programs, approved annually by the Commission.
- Funding policies, reflecting program priorities developed at the Commission and state levels and included in fiscal year Program Budgets.

The Commission also has a responsibility to perform an advocacy role for the Region. Commission policies, therefore, go well beyond those that deal with its own program funds. They address problems which must be handled by other public and private agencies in meeting overall development objectives. For example, the Commission was instrumental in gaining Congressional approval for reimbursement for services of physician extenders under the Medicaid and Medicare program, in documenting the need for maintenance, upgrading and expansion of coal-haul roads, and for more realistic site and construction standards for housing.

Fine tuning this process is continuous and recent years have seen some significant improvements, many of which can be traced to the 1975 amendments to the ARDA:

- enhancement of the role of public participation in the development process through a number of public meetings on the regional plan and the institution of a continuing regional plan process that includes regionwide conferences to develop policies for the Commission. Recent meetings of this type included the Appalachian Conference on Balanced Growth and Economic Development, the ARC conference on Raising a New Generation in Appalachia, the Kentucky Appalachian Development Conference, and a series of seminars designed to assist the initial operations of the President's new Coal Commission.
- development and use of areawide action programs by 52 of the 69 local development districts that assess a district's needs and set forth priorities for projects and programs which will meet district economic development objectives. The areawide action program is designed as a single method for planning, setting priorities for projects, and programming funds to be used by as many federal, state and local funding agencies as possible.
- increased use of local development district areawide action programs by states for their development plans and by federal agencies as a guide to their funding decisions.

Program Management

Since the establishment of the Appalachian program the Commission has continued to strengthen its program management responsibilities. One of the basic purposes in establishing the Commission as a regional agency was to overcome the problem of the lack of a coordinated approach or coherent strategy within regular federal aid efforts. The Commission has sought to overcome this problem by combining all program responsibilities in a single administrative system. The results of the Commission's program management efforts can best be illustrated by several current developments:

- As part of its efforts to work with federal funding agencies to strengthen the areawide action program process and gain acceptance for funding priorities under it, the Commission has developed joint memorandums dealing with areawide planning and programming with a number of federal agencies. The recently adopted memorandum between the Commission and the Farmers' Home Administration establishes the basis for a continuing joint effort to promote cooperative rural development planning and programming arrangements. The basic objective is to formulate and recommend development priorities for the investment of public and private funds which will result in the better delivery of assistance to rural America.

- The Commission participates in four joint-funded projects and is "lead" agency in one of them. The Commission believes that its basic program administration approach, facilitated by the specific provisions of the Joint Funding Simplification Act, can provide a workable and pragmatic method to join together as many funding sources as possible to respond to the Region's needs and overcome the effects of the multiplicity of program requirements, procedures and regulations.

- The Commission has undertaken a number of evaluation studies that have assessed the adequacy of an ongoing program. These recent studies have included the vocational education facilities survey, the regional education service agency program, and the design of a monitoring system for health and child development projects. Also, the Commission's state evaluation and monitoring assistance program assists the states in the development of a capacity to design and carry out state evaluation and monitoring activities in connection with the management, development and refinement of the Appalachian program. Under the system, the states will be able to maintain complete and consistent information on program performance which will be used in the development and refinement of future programs and projects.

- Under the Appalachian program, grant administration responsibility for most of the ARC grants is assigned to appropriate federal agencies. This administrative arrangement requires close interagency cooperation and the Commission has developed arrangements with federal grant agencies to ensure that these arrangement are carried out. However, the Commission has experienced difficulties in obtaining essential data and information from basic agencies who have the legal responsibility for grant administration including closing out grants upon completion of projects. The Commission has recently negotiated a new interagency agreement with the Farmers' Home Administration. In order to assure that all the requirements of the

Appalachian Regional Development Act are met in the administration of grants, the new agreement places additional emphasis on reporting the status of funds on a project-by-project basis so that the Commission can be assured that funds are disbursed in accordance with statutory requirements and that unexpended project balances can be made available for use in funding new projects to meet current needs within the Region.

Programs

Many specific project accomplishments have come out of the ARC partnership. Accessibility to overcome the isolation of the Region has improved as nearly half the Appalachian Highway System is now open for traffic. The health program has brought quailty health care to thousands of residents and provided leadership in the field of rural health delivery through concentration on basic health care and comprehensive health planning. Construction is almost complete on a regionwide system of vocational-technical schools. The Appalachian housing program has stimulated construction of low- and moderate-income housing. The Commission has funded numerous sewer and water projects. The Commission, however, has not been limited to a "bricks and mortar" approach. Multicounty health agencies and multicounty education service programs are operating throughout the Region delivering a variety of health care, child development services and education. Commission-sponsored research on energy development, job-creation opportunities, and natural hazards is now being applied across the Region.

Appalachian Highway Program. Completion of the Appalachian Development Highway System continues to be regarded as the key to the Region's economic development. This task -- defined and begun almost a decade and a half ago -- must be finished. In 1964, the report of the President's Appalachian Regional Commission (PARC) recognized the absolute necessity of these highways to Appalachia's development and mapped out a system of Appalachian development highways to complement the interstate highways serving the Region. Shortly thereafter, the corridors and termini for these Appalachian development highways were approved. Experience has proved the wisdom of the PARC recommendations and the Congressional decision. These highways have encouraged the location of new industrial and commercial enterprises, eased movement within the Region, and provided good access to national markets.

This highway network, when accompanied by concerted efforts to upgrade health, education, community services, and the environment, provides a sound basis for continuing development.

Fully 1,700 miles, or approximately 56 percent of the 3,025 miles of development highways authorized for assistance under the Act, are either complete or under construction. Two hundred and thirty-seven miles are now under construction. Another 275 miles are in right-of-way acquisition, 258 are in design, and location studies are completed or underway on the remainder.

The existing law authorizes the Appalachian development highway program through fiscal year 1981. The Administration Bill proposed for the Commission would extend the Appalachian development highway program through FY 1985 which is four years beyond the present law.

Unlike the development highway system, the access road program is designed to supply access to specific sites. An access road is normally short, often less than one or two miles in length, and provides essential access to an industrial site or park, a regionally important recreation area, a school, a health facility, or a commercially important timber production area. Through September 30, 1978, projects requiring $140 million of federal assistance had been approved, of which $115 million was obligated for construction. Some 579 miles of access road projects have been completed, and an additional 101 miles are underway.

Human Services

A healthy and skilled population is a vital precondition to the well-being and economic development of the Region. Access to basic health and education services has been limited for many Appalachians as a result of severe shortages of trained manpower and adequate facilities; the high cost of serving a dispersed, rural population; and the limited fiscal ability of state and local governments to improve such services. In response, the human service activities of the Commission are directed toward improving the organization, accessibility and delivery of such services. Many of the recent new directions in human services have come from the series of conferences held on this subject in the past few years.

Health Program. Over the past ten years, the Region has shown a marked improvement in the availability of health services to its residents. As a result, such basic health status indicators as infant mortality, accidental death rates, and diseases have improved dramatically. The Commission has shared in this improvement with support of over 1,500 projects in basic medical and dental care, emergency medical services, hospitals, mental health, retardation and rehabilitation, physician and nurse training, and health planning and technical assistance.

The major emphasis of the program has been to demonstrate workable methods for the delivery of basic health services to Appalachians. Early investments focused on the construction of facilities and development of programs in selected geographic demonstration areas. Following the 1975 amendments, emphasis was focused on medically underserved areas throughout the Region and the program focus shifted to basic level health care. Since 1975, 92 percent of Commission health dollars has been channeled into communities located in the Department of Health, Education and Welfare (HEW)-defined medically underserved areas.

The early demonstration area concept has been used by HEW in its Health Systems Agency's program, which now serves every county in the United States. Over 300 primary care clinics and related facilities which provide a level of care not quite so broad as that of a small hospital but considerably broader than that of a family doctor's office, are now operating in the Region. These centers were the model for HEW-funded Rural Health Initiative Clinics. Commission emphasis on the employment of physician-extenders in rural settings where doctors are scarce, helped bring about national changes in Medicare and Medicaid reimbursement programs.

Although major progress has been made in meeting the medical facility needs of Appalachia, much of the Region still suffers from shortages of doctors and nurses, inadequate health maintenance and prevention services, and poor access to health care because of low incomes and high health costs. Over the next several years the Commission will make special efforts to:

- Increase the number of medical personnel available to Appalachian communities. The Commission will urge HEW to assign more medical personnel from the National Health Service Corps to the Region's medically indigent areas. Further Commission efforts will focus on physician recruitment and training of family practice doctors, physician-extenders, nurse practitioners, emergency medical technicians, and paramedics.

- Promote preventive health programs. These will emphasize, among others, health education, genetic counseling, environmental health, and home health care.

- Reduce the rate of infant mortality in the Region to less than the national rate within four years.

- Determine the feasibility of a comprehensive rural demonstration program which would provide quality health care in medically poor areas of Appalachia. HEW will be called on to help in this effort. HEW will also be asked to work with the Commission to develop methods by which Medicare and Medicaid reimbursement schedules might be equalized between metropolitan and rural areas. A recent study showed that the problem of medical indigence in Central Appalachia extends to more than 25 percent of the population. These are people who have no health insurance and must pay for their health care from their modest incomes or the health institutions must absorb the costs.

Vocational and Other Education Programs. The Commission has concentrated its educational efforts in the field of vocational and technical training. The goal has been to provide Appalachians with the skills needed to participate productively in society and compete effectively in the labor market.

The majority of assisted projects have been for job-relevant vocational and technical schools. More than $305 million have been used for the expansion of almost 500 schools. This heavy, early emphasis has contributed to a reduction in the Region's dropout rate and has upgraded the job skills of thousands of Appalachians.

Although some isolated locations still lack facilities, for the most part the Region now has an adequate network of vocational and technical schools. The Commission, therefore, has shifted its focus from construction and equipment.

Education: Since 1975, priority has been assigned to projects which better match training with available jobs and develop new, less costly and more effective approaches to the provision of that training. These projects include guidance, counseling and placement services; teacher training; efforts to encourage greater cooperation between the education community, private enterprise and the community as a whole in planning and carrying out training programs; and the development of approaches that lower the cost and improve the quality of the training provided.

The Commission is also giving more emphasis to basic education for both children and adults including reading and other nonvocational education authorized by the 1975 amendments. To increase a student's incentive to remain in school and avoid the need for future remedial help, special vocational education and work study programs are emphasized. In a related effort and to ease the problems of those with obsolete or underdeveloped working skills, the Commission has assisted in programs of career education and vocational upgrading and retraining. All of these programs are designed to make the best use of available facilities and funds rather than require new buildings and money.

In the coming years the Commission expects to:

- Increase vocational training projects designed to improve the quality of all types of career-oriented education while continuing to reduce funding of facilities and equipment.
- Increase operating support of such priority programs as upgrading the job skills of adults, literacy, counseling, job placement, and the instructional use of telecommunications.
- Support the efforts of state and local communities to identify and meet the educational needs of their citizens.
- Ensure that children attending Appalachia's elementary and high schools attain the basic skills of reading, mathematics, and oral and written communication.

Child Development. In any area with a high incidence of poverty, and particularly in an area that is predominantly rural, it is often the children who suffer the most. Although Appalachia is still a stronghold of the family unit, many families simply lack the basic education and necessary resources to give their children the best opportunity for healthy, productive lives. Problems such as malnutrition, lack of pre- and postnatal care, lack of preschool educational opportunities, limited day care facilities and high infant mortality rates affect many children in these families. Moreover, few children have just one of these problems and few agencies are equipped to help with more than one.

All of the Appalachian states, however, now operate child development programs that incorporate a multidisciplinary approach to providing children with health care and educational opportunities and to providing this assistance in a family setting. Regionwide, the ARC program has aimed at linking the broad range of available services and agencies within each state and filling gaps in both the type and scope of child services. The child development program addresses the coordinated delivery of a wide range of services for a specific target group -- the Region's children under the age of six. The Commission assists states and communities to find model projects serving a substantial number of people. Over 80 percent of these projects ultimately find non-ARC sources of funding.

A basic goal has been to develop the capacity of state and local communities to use existing federal programs wisely to the fullest possible extent and to foster interagency planning and coordination so that child development services can be truly comprehensive, including all of these services:

- family planning
- pre- and postnatal care
- pediatric services
- mental health
- practitioner training
- transportation
- parent education
- protective services
- special education for the exceptional, the handicapped and their families
- day care
- family and foster care

Over the years, needs in various parts of the Region have proved to be strikingly diverse — a fact that reinforces the desirability of making programs flexible enough to be useful in widely varying local situations. More than 20 different kinds of programs have been developed in response to local child development needs, and all of them provide more than one service.

Special emphasis has also been placed on developing innovative services and delivery methods. These projects have crossed state lines, linked public and private agencies together, tested various kinds of central administration and experimented with such alternatives as nurse-midwifery and paraprofessional outreach workers.

In 1977, Congress amended the Appalachian Regional Development Act to provide two additional years of funding for child development projects and requested the Commission to undertake a study of the problems associated with requiring project self-sufficiency after ARC funding runs out. That study is now complete, and the Commission considered its findings, along with the recommendations of a conference held on Raising a New Generation in Appalachia, and will make recommendations to Congress.

Since 1975, special emphasis has also been given to state and regionwide conferences on the needs of children. Conferences in Tennessee, Kentucky and North Carolina brought hundreds of lay and professional persons together and provided several possible new directions for the Commission's programs and advocacy efforts. The new directions now before the Commission include the following:

- o Funding current child development projects beyond the fifth year and establishing a five-year limit for all new projects after September 30, 1979;
- o Strengthening technical assistance to projects at the local level so they may achieve independence from ARC funding without sacrificing quality and costs; and
- o Strengthening the Commission's role as an advocate within both the public and private sectors for the Region's children and their families.

Community Services and Business Development

The Commission uses a wide variety of programs to further economic development, but because they are used to achieve a common purpose, the programs themselves must be viewed as an interdependent group.

Community Development and Housing Program. The extent to which economic development may occur in Appalachia depends in large measure upon the basic services Appalachian communities can offer -- clean water, good sanitation, decent housing, recreation opportunities and efficient transportation. The Region, however, has been sadly deficient in these services, and the overall need is staggering. The community development program is aimed at providing these basic services.

Emphasis has focused on three types of communities:

- Communities in the Appalachian coal fields where coal mining is bringing increases in employment and population. Most of these communities could not provide adequate, basic community facilities and housing before the national demand for coal increased and today they have even greater difficulties.

- Rural communities which, because of their remoteness, lack the technical or financial resources to improve their provision of services without assistance.

- Areas undergoing fundamental changes in their local economies and population patterns. These include older cities experiencing job losses, areas where new settlement patterns make it necessary to find better ways to design and deliver public services and rapidly growing small communities.

The Commission has emphasized assistance in six areas where needs are great and the payoff for economic development high. These high priority areas are industrial site development, housing, sewerage treatment, water, solid waste disposal, and parks and recreation. Since the beginning of the program, the Commission has assisted over 1,100 facilities projects.

Under the Commission's housing program, site development grants and planning loans have been used to assist construction of 8,400 homes. Other types of grants have resulted in the construction or repair of an additional 1,900 homes. Technical assistance funds have been used by all 13 states to strengthen the technical competence of low- and moderate-income housing sponsors, and ten states have established an Appalachian Housing Fund to stimulate housing production in the Region.

Today, a number of Appalachian communities have begun to realize their potential, while others are at the threshold of development and may face overwhelming odds. The problems facing these communities and those of future concern to the Commission include the following:

- limited land for development;
- limited capital for housing and industry;
- impact of energy development;
- inadequate federal programs for housing and public facility development in rural areas; and
- need for efficient management of community development.

The next decade will demand serious and vigorous attention to substantially improving the living conditions of Appalachians. Many of the regional obstacles to improved housing conditions can be effectively counteracted by removal of limitations in Section 207 on assistance to site development costs and by permitting assistance for site purchase costs. These tools will be used to strengthen the local private building industry and assist communities.

Enterprise Development Program. Private enterprise is the principal source of livelihood for Appalachians and each of them has a vital stake in having jobs available at accessible locations. The Commission's enterprise development program is designed to support the establishment and expansion of private enterprise in the Region as a way of expanding income opportunities.

The thrust of the program has been to provide local governments with the expertise to identify opportunities for retaining or creating jobs and to overcome barriers to realizing these opportunities. Because 70 percent of new jobs in the Region are created by existing businesses, heavy emphasis is placed on helping these concerns expand and thrive.

The Commission has funded approximately $8 million worth of technical assistance and training projects related to private sector development. A unique feature of the program is that these investments have and must continue to be part of a development strategy that has been identified through the development planning process. Investments in an industrial park, for example, must be part of overall development strategy in which that investment is an integral and logical part. This process has proved a valuable technique in assuring that an investment actually results in jobs.

The resurgent interest in the Region's energy resources opened new opportunities for private enterprise and, since 1975, the enterprise development program has been working to assist energy-related businesses. This assistance has taken the form of projects that explore new energy production methods, new conservation techniques, new uses of coal and gas by-products, new methods to reduce the sulfur content of Appalachian coal, and grants for site acquisition and development of new energy-producing facilities.

The enterprise development program expects to continue its encouragement of the successful operation of private enterprises of all types and to:

- strengthen the program of job creation by offering technical assistance to small businessmen, small farmers, and arts and crafts enterprises; and
- take advantage of the business opportunities uncovered through the planning and technical assistance process by providing grants to states for creating a loan fund that can be used for small business start-ups or expansion and to assist small farmers.

Natural Resources, Environment and Energy

The development of programs in natural resources, environment and energy has been strongly influenced by the need to be sensitive to shifting priorities, approaches and national policies. In general, the trend has been away from an approach that seeks maximum economic gain to one that seeks effective public stewardship over the valuable resources. The stewardship idea involves the management of resources not only to secure economic gain but also to do it in a way that makes an environmentally sound contribution to regional development. This concern has created a challenge for the Commission.

Natural Resources and Environment Program. Appalachia and the rest of the nation have paid a high social cost to prior mineral extraction and timber harvesting in the form of wasted land, strip benches, polluted streams and stunted second and third growth timber. Correction of past damages is important in areas where development is thwarted by these scars of the past. Remedial action in these priority areas has been undertaken by the Commission in the form of reclaiming surface mine areas, extinguishing mine fires, controlling mine drainage pollution, stabilizing land affected by erosion, and many others.

Some parts of Appalachia have been repeatedly struck by flooding, landslides, subsidence and other natural disasters. The Commission is working to create warning systems for these hazards and recently completed a study that outlines steps to reduce damages in hazard-prone areas.

ARC research and assistance in this area has ranged from development of logging techniques that minimize environmental harm to the forest floor to studies of better ways to use absentee-owned farmland to techniques of obtaining furniture quality wood from otherwise scrap timber.

The Commission expects to continue its work in recovering wasted land, reducing damage in hazard-prone areas, and more fully developing the Region's agricultural and forest resources. It will also take new initiatives in the following areas:

- Assisting states in taking full advantage of programs to develop alternative wastewater treatment systems for rural areas;
- Extending on a regionwide basis the approach for long-term flood recovery now being used in Central Appalachia; and
- Analyzing the impacts of environmental regulations affecting the Region.

Energy Program. In its 1975 amendments to the Act, Congress emphasized that the changes occurring in national energy requirements and production would have a significant impact on the Region's development. It specifically made one of the purposes of the ARC program the coordination of local, state and federal programs and projects dealing with the Region's special opportunities for expanded energy production. The guiding principle was to be the achievement of maximum social and economic benefits with minimum social and environmental costs. To further assist ARC in this assignment, the 1975 amendments authorized the Commission to provide assistance for energy-related businesses.

The Commission has developed specific energy policies and implemented several important energy-related programs. Projects assisted under this authority include:

- Low BTU gasification plants at Pikeville, Kentucky, and at Hazelton, Pennsylvania, funded jointly with the Department of Energy and the Economic Development Administration;
- Test gas wells designed to meet critical needs of industrial parks in Ohio and New York; and
- A program for the Broome County, New York, Industrial Development Agency which established a revolving loan fund for companies to undertake energy-saving measures.

In 1976 the Commission allocated funds to stimulate home building in energy-impacted areas of the Region. These funds have been used for housing projects in Kentucky, Virginia and West Virginia. The Kentucky project will provide housing on an abandoned strip mine bench. The Commission also undertook landmark studies that identified the coal-haul road problems of Appalachia and examined the impact of coal production on communities. The Commission has also investigated energy transportation needs related to the Region's rail and waterways system.

The effects of coal production have been the focus of several Coal Productivity Seminars sponsored by the Commission. These seminars dealt with such issues as housing, environmental impacts, health, manpower and training, and the role of government and the private sector. The results of these seminars are being used by the President's Coal Commission. The Commission has also begun a study of the impacts that power plant emission standards have on coal-producing and coal-consuming states.

The Commission's work in mine area restoration preceded the development of the Surface Mine Reclamation legislation. The Commission, in conjunction with the Office of Surface Mining, is currently developing a model plan to serve as a guide for Appalachia and the nation for developing state reclamation plans. The Commission has also undertaken a pioneering effort in the development of an evaluation system and computer model which attempts to measure the economic effects of alternative national and international policies on the Region as an energy supplier and consumer. Aspects of the model have been adapted in the Department of Energy's national assessments. The Commission is currently working with both state and federal agencies in the implementation of energy impact assistance programs.

The Commission has established an Energy Policy Guidance Council and is undertaking a vigorous advocacy effort within the federal government regarding the Region's energy commitments and problems.

Specific initiatives for energy-related activities in the future will focus on the following:

- Assure that opportunities for accelerated coal production serve as generators of sound economic development and conservation;
- Intensify exploration to discover what unknown, underexploited gas and oil resources, including Devonian shale gas and oil, may be available to the Region and the nation;
- Accelerate commercialization of new energy technologies; and
- Develop new plans and programs for energy impact assistance to communities.

The Appalachian regional development program has demonstrated that it is possible for federal and state governments to work together in a process of shared decision making to promote the long-term development of the Appalachian Region. Congress has supported the Appalachian Regional Commission as a development and special demonstration agency which provides flexibility in initiating action, responds promptly to needs and and opportunities, and serves as a catalyst and a coordinating mechanism. Much has been accomplished, much has been learned about what works and doesn't work, and much remains to be done. The means for correcting the remaining problems must continue to be provided.

I. REGIONAL CONDITIONS AND COMMISSION PURPOSES AND PRINCIPLES

The past decade of change in the Appalachian Region demonstrates that while reasonable and sustained progress towards the goals of a diversified and self-sustaining economy is being achieved, some of the special problems that have long plagued this region continue. An overview of that change in terms of jobs, population and income, health and education, and housing and community facilities provides a picture of where Appalachia is today and the changes that will be needed in the future.

Regional Conditions

Jobs

In recent years, employment in Appalachia has improved. From 1965 to 1977, Appalachia gained close to 1.5 million jobs, a growth of 24 percent. At the same time, employment grew 27 percent throughout the nation.

This positive change in Appalachian economy as elsewhere was offset by the mid-1970s recession that slowed employment growth. Combined with a steady inmigration in many areas, the recession also caused a substantial increase in unemployment in many parts of the Region. In 1975 unemployment averaged 8.7 percent in Appalachia, slightly higher than the national average of 8.5 percent. By 1977 unemployment declined in the Region to 7.2 percent, but still higher than the national average of 7.0 percent. This decline is largely attributable to the rapid recovery of many Appalachian industries and to the arrival of new industries in the Region.

Over the past decade employment trends in Appalachia have reflected many national changes: greater participation by women and young people in the labor force; greater percentages of employment in service-oriented industries; and major changes in employment in mining, textiles and other industries.

But...

Economic growth has not been evenly distributed over the Region since 1965, and parts of the economy remain overly vulnerable to the impact to swings in the national economy. Fully 40 percent of Appalachia's major industrial jobs are found in manufacturing (compared to only 30 percent nationally), with a heavy concentration in the manufacturing of textiles and apparel, and of capital goods and products (steel, aluminum, machinery, chemical products, electrical supplies) used by industry to produce other goods.

Total service sector type employment (transportation, trade, finance, insurance, real estate, education, medical, etc.) in 1975 amounted to 52 percent of major industrial employment compared to 62 percent nationally.

Vulnerability to major national economic shifts continues to be a problem in Appalachia. During the mid-1970s recession unemployment rose in every county group and declined during 1976. Yet by 1976 rural counties had higher annual unemployment rates than surrounding urban and metropolitan counties in the Region.

If one goes beyond official unemployment rates, one will find a large amount of "hidden unemployment" that owes its legacy to the severe economic conditions that existed during the 1950s and early 1960s. We estimate that if you add in this so-called hidden unemployment -- largely those who have been discouraged from looking for jobs -- the true unemployment rate in many Appalachian communities would double the published figures.

Population

A major consequence of the overall increase in jobs is that Appalachia is no longer losing its most important resource -- its people. In the 1950s and 1960s, 3 million persons left the Region. This massive exodus was forced largely by a lack of job opportunity inside Appalachia and a booming economy outside. By 1970, the tide had turned, and from 1970 to 1976 Appalachia gained 977,300 people. Inmigration accounted for 39 percent of this growth. This inflow, combined with natural population growth, has pushed Appalachia's overall rate of population increase close to the national average of 5.4 percent.

The reasons for this striking turnaround from outmigration to inmigration offer a revealing look at some regional and national trends. They are:

- increased job opportunities in all employment categories;
- the impact of energy development in certain parts of the Region;
- increased attractiveness of the Region for retirement, recreation, second homes and a simpler, rural way of life;
- a continuing movement out of the principal northern industrial centers for job and income opportunities in the Region;
- the return home of military personnel and the end of selective service;
- substantial increases in transfer payments such as Social Security, black lung benefits and unemployment compensation; and
- investments by state, local and federal governments (including ARC) in various projects that have made the Region more attractive to both industries and people.

If the overall trends of the last five years continue, the Region is likely to have a 1980 population of 19.8 million. This would represent an increase in the 1970-1980 decade nearly double the increase of the preceding two decades.

But...

All parts of Appalachia are not sharing in this population growth, and the distribution of its population remains scattered and basically rural.

The northern portion of the Region continues to lose people through outmigration and has shown a very slow rate of natural increase. The urban areas of the north have been the hardest hit. With old industries and a labor force whose type or level of skills is no longer attractive to some modern industries, Northern Appalachia was staggered by the early 1970s recession; thousands left for better opportunities elsewhere. While the rest of the Region seems to have plugged a three-decade population drain, its northern urban areas are still plagued by a loss of people.

Appalachia's population is generally more scattered and less concentrated in large urban areas than the national population -- 60 percent of the nation lived in large urban areas in 1970, compared to only 30 percent in the Region; at the opposite extreme, 45 percent of Appalachia's population lives in dispersed locations, compared to a national average of only 22 percent. In short, Appalachian geography has dictated a pattern of small urban type settlements of under 1,000 people widely scattered along its valleys and streams. Consequently, the usual approaches to the delivery of public services in urban and suburban areas are often not suitable to the Region -- and are more costly when applied there.

Income

The number of people living in poverty in Appalachia declined from 1960 to 1970, and the Region's per capita income rose significantly between 1965 and 1976.

Appalachia has long been characterized as one of the poorest areas of the nation. In 1970, 3.3 of Appalachia's 18.2 million residents were classified as poor. Yet from 1960 to 1970 the number of people living in poverty in Appalachia had dropped by over 2 million, a 41 percent decline, while the national figures showed only a 30 percent drop. This regional decline in poverty was spurred by the growth in job opportunities and by increases in Social Security and other transfer payments that more than doubled Appalachia's per capita income in nine years: in 1965 it was $2,174; in 1976 it was $5,427, an increase of 150 percent.

The northern states show the highest incomes because of the relatively high-wage industries. But they also show the slowest income growth because of the slowness of their employment expansion. In the Central and Southern subregions, however, rapid employment expansion led to big jumps in per capita income, jumps of $3,160 and $3,140, respectively. Yet they were still only 72 percent and 81 percent of the U. S. average.

But...

Appalachia remains one of the nation's largest pockets of poverty, and only six of the Region's counties had per capita incomes higher than the national average in 1976. The most recent estimate shows that 14 percent of the Region's residents had poverty-level incomes, compared with a national rate of only 11 percent. Although the overall rate of poverty is dropping, the concentration of low-income persons in parts of Appalachia, especially in the middle of the Region, has had the effect of creating an economically depressed area of large geographic extent and with little stimulus for growth, an increasingly dependent population and a lack of financial resources to support public services.

The Region's per capita income figures support this picture. In spite of substantial growth, Appalachia's incomes overall are only 85 percent of the national average, and in Central Appalachia, only 72 percent. These numbers show a large gap remaining to be closed.

Health and Education

The indicators of adequate health care and education levels have been rising steadily throughout Appalachia.

The Region had an average of 91 physicians per 100,000 residents in 1967; by 1976 this had risen to 116 physicians per 100,000. The number of short-term hospital beds is on a par with the national level, and the number of dentists and nurses is constantly rising.

Infant mortality has been reduced from a rate of 27.9 deaths per 1,000 live births in 1963 to a 1976 rate of 15.7 per 1,000. Of equal importance, all of rural Appalachia is now served by agencies concerned with comprehensive health planning, and 300 primary care centers are now in operation. These groups hold the view that it is as important to keep a person from getting sick as it is to treat him when he is sick.

In 1960, only one-third of the Region's adults had completed high school; by 1970, this figure had risen to 44 precent and by 1976 to about 53 percent. In 1965, only 20 percent of its 11th and 12th graders were enrolled in job-relevant vocational educational courses; by 1976, enrollment in these courses had nearly doubled to 39 percent. Guidance and placement efforts have been so successful that students in these courses are reported being placed in jobs at a rate higher than the national average.

But...

Health manpower is limited and poorly distributed throughout the Region, and education levels fall short of national norms.

Appalachia's ratio of 116 physicians per 100,000 residents compares unfavorably to the national average of 174 doctors per 100,000 persons. The Region continues to have alarmingly high rates of readily controllable diseases and the central states still have infant mortality rates which are among the highest in the nation. These problems are further compounded by maldistribution within the Region itself of health manpower. It is concentrated in the Region's few large urban areas to the neglect of the rural areas.

While the Region's adult population with a high school education was 53 percent in 1976, the nation's average was 64 percent. In Central Appalachia the average was only 38 percent. The legacy of low-quality education and high dropout rates continues to be a major obstacle for Appalachian development.

Housing and Community Facilities

Housing and community facilities have improved throughout Appalachia, yet the pressures of growth and finance continue to create serious needs.

The Region's 1970 housing statistics are not directly comparable to those from 1960, but it is possible to say that the number of housing units classified as substandard or overcrowded has declined over the decade. The total supply of housing rose by over 600,000 units in the 1960s, but grew at a slower pace than in the nation as a whole. The decade's slow rise in population, income and employment probably accounts for the relative delay, so that changes that occurred in these rates after 1970 will undoubtedly show improved data for the supply and quality of housing.

Even more importantly, individual communities and grouping of communities are developing a better capability to plan and manage the entire range of community facilities. Growing towns are becoming more familiar with what facilities are needed when, and how they can be financed; stable towns are learning the importance of management and leadership in providing the basic facilities needed for growth or, simply, for a better quality of life.

But...

In 1970 13 percent of the nation's housing units were deficient while over 18 percent of the Region's units were deficient. This represents over one million Appalachian homes. Over 69 percent of these units lacked one or more plumbing facilities and 32 percent had plumbing, but were overcrowded. This situation still prevails today.

Not only are the dollar amounts needed for community facilities overwhelming, but certain basic problems that affect the Region's ability to deal with the situation are still facing many parts of Appalachia: limited developable land, limited capital for housing and industry, inadequate federal programs for rural and small communities, growth pressures caused by new energy production and the need for efficient management of public services. These problems must continue to be addressed if the community facility deficiencies in the Region are to be overcome.

In light of recent settlement patterns the small cities of Appalachia must be viewed as the urban frontiers of the Region. The problems noted above must be viewed in light of the desire of people and industry to locate in and around the smaller cities of the Region. Future development efforts must facilitate this public and private set of preferences.

Additional statistical information on population, employment and income is contained in the Appendix.

Purposes and Principles

Congress passed the Appalachian Regional Development Act of 1965 with two overall purposes in mind: to help overcome the lingering economic distress of the Region; and to demonstrate the effectiveness of a new joint decision-making approach to federal-state relations. Even though conditions in the Region and nation have changed over the years, these purposes remain central to ARC's operation. Achievement of the Congressional purposes, however, goes beyond direct measures of ARC. Concerted activity from all levels of government, the public and the private sector is required. Thus, ARC not only develops program tools for use by each state in addressing its needs and opportunities, it also acts as an advocate for the coordination and alteration of all programs affecting Appalachia.

The Commission was established as a trial for a new mode of federal-state relations. It tests a novel idea: an agency with broad economic development authority that combines state and federal perspectives in the setting of policies and priorities. Shared responsibility and a new forum for achieving new perspectives and compromises was to be attempted within the Commission. Congress was very specific in identifying that one of its purposes was "to establish a framework for joint federal and state efforts".

ARC has pioneered a process of review, assessment, planning, implementation, and evaluation that includes all levels of government. The process is designed to build upon existing capabilities, to supplement rather than duplicate, to strengthen and broaden rather than dilute. It is designed to monitor the effects of existing programs; suggest changes in orientation and levels of funding; undertake innovative demonstrations; apply new program authorities; and recommend new legislative initiatives. An additional aim is the coordination of public and private efforts toward regional economic development through a heightened awareness of the developmental implications of ongoing activities so they can be focused on an areawide and functional basis.

Overall, the purpose is to experiment with a new way of doing the government's business that preserves a voice for the national perspective while enabling the unique situation and priorities of other jurisdictions to effectively influence the application of national authorities.

While the Commission has a broad mandate to help the Region solve its special problems and promote its economic development, it has only limited direct financial resources with which to carry out this mandate. Therefore, ARC has adopted a number of basic principles designed to promote the greatest return from the use of its funds. These principles have evolved out of almost a decade and a half of experience in regional development. A number of them are longstanding and have proved their usefulness in contributing to ARC goals. Others are more recent and all are still evolving. The Commission will continue to apply the policies that have proven effective, while developing the more recent and new policies as conditions dictate. In the period immediately ahead, particular emphasis will be placed on the following policies: demonstrating and evaluating the validity of new and innovative approaches; encouraging areawide and interstate joint efforts; strengthening ARC's planning and programming role, in particular, the LDD areawide action program and public participation; and advocating the adoption and implementation of the most effective regional policies and program strategies by other agencies.

A challenge before the Commission over the coming years will be in developing a response to the emerging settlement patterns in and around the small cities of the Region. Recent trends point to impressive population growth rates in and around such cities. An examination of the most recent population statistics suggest that population clusters which make up small cities, in both rural and metropolitan regions, are the fastest growing areas in most states. Small cities are important in both regional and national development strategies. As growth takes place in and around these small clusters the demand for public services is increasing at a rapid rate. Looking to future policies of the Commission, this trend must be more fully understood and appropriate shifts in policy directions must be made. The key will be to balance attention between the large urban areas and the emerging urban frontier of the small cities within the Region.

Underlying principles include:

Principle: To maximize the impact of limited public resources by concentrating investments in areas with significant existing or potential capacity to function as centers of economic activity, while also efficiently providing supportive investments, generally limited to human services, in these or other locations accessible to concentrations of people.

Concentrating public economic development investments in areas with significant existing or potential capacity to function as centers of economic activity and growth maximizes the probable impact of those funds in two ways. First, it substantially increases the probability of successfully maintaining and stimulating increased economic activity with fewer public investments. Second, concentration and coordination of investments, as opposed to a series of dispersed and unrelated investments, produces a better opportunity to reverse economic decline or stimulate accelerated growth. This policy has permitted each state to designate its own growth areas, within guidelines and subject to review, which seem most likely to be the future centers of employment, population and service delivery.

The Commission's human services policy is complementary to the growth area concentration approach. It permits investments in health and education which serve concentrations of people in a cost-effective manner to be made outside growth areas. While the growth area and related human services policy is applicable to infrastructure investments in all program areas, it has its most significant impact in the community development and human services program areas.

Principle: To use limited Commission funds to leverage additional resources for the economic development of the Region.

When developing projects and making decisions regarding Appalachian grant assistance, the Commission gives priority to a use of Appalachian funds which will relate to and draw in additional funding sources. This permits the Commission to provide funds which are crucial to the success of a project or program while encouraging maximum possible participation by state and local governments and other funding agencies. Special applications of this approach include joint funding with other agencies and supplementation of other agencies' grants by providing part of the nonfederal matching shares as authorized by the Commission's legislation. The LDDs' areawide action programs (AAP), encouraged and supported by the Commission, provide an effective means of identifying opportunities to use the leveraging approach by giving priority to such projects. These projects can then be incorporated into the investment program portion of the state Appalachian development plans. This approach has been developed and applied by the Commission over a number of years. In the 1975 extension legislation, Congress gave recognition to its importance by providing that, to the maximum extent practicable, federal agencies shall take into account Commission policy, goals and objectives.

Principle: To encourage joint areawide and interstate efforts which produce economies of scale in providing a higher level of service more efficiently.

As part of the broad policy to obtain the greatest possible return on its funds, the Commission encourages the most cost-effective method of providing public facilities and services. Economies of scale and the most efficient use of available resources and facilities can frequently be accomplished by developing areawide, interstate and joint approaches to projects and programs. Examples of this approach include water and sewer systems, primary health care delivery networks, rural transportation consolidation or coordination and regional education service agency (RESA) projects. The major interstate applications involve projects and programs which are too large, too complex or too specialized to be undertaken by a single state; projects involving several state areas such as river basin development; and projects where economies of scale can be realized through joint state action.

A special case arises where a natural service area happens to cross state lines making interstate cooperation necessary. The joint construction and use of specialized higher education facilities, interstate water supply projects and interstate mass transit systems are examples of this type of interstate project. Primary health care networks and primary and secondary education programs have also been provided across state lines.

LDDs, RESAs, Health Systems Agencies (HSAs) and other areawide agencies encourage the development of appropriate areawide and joint arrangements for the construction of facilities and delivery of services. The AAP provides a major method of identifying and giving priority to such approaches. States, assisted by the Commission, give particular attention to the development of appropriate interstate arrangements where feasible. Special efforts are being made to work with existing interstate agencies to identify and support appropriate interstate projects. The Commission will continue to give priority to projects which make use of areawide and interstate joint and shared facilities, services and management.

Principle: To continue and strengthen the development planning and programming system to provide a process through which all levels of governments can participate jointly in determining policies and priorities and programming funds to contribute to the economic development of the Region.

In one of its early actions, the Commission required the states to prepare Appalachian development plans that identified the characteristics and needs of their Appalachian portions and, within Commission priorities, developed strategies and priorities for the use of Appalachian and other funds to meet specific needs and contribute to overall economic development. Subsequently, the Commission added a requirement for a project package (or implementing investment program) which identified specific proposed projects. As time went on, the LDDs became increasingly involved in helping to identify needs and, more particularly, in identifying priorities for specific projects and programs to meet these needs. The system thus combined planning and policy development with the specific programming of Appalachian investments at the state level. At the Commission level, the regional plan enunciates major policy and the program budget, submitted to Congress, describes the Commission's proposed use of funds in major program areas.

Congress recognized the planning and programming system in the 1975 continuation legislation by providing a statutory basis for the system. It gives special emphasis to the role of the LDDs and to areawide action programs, designed to provide a coordinated planning and programming activity at the district level.

Principle: To demonstrate new and innovative approaches to the economic development of the Region, to evaluate the effectiveness of these approaches and encourage their use and adoption.

Because of the need to devise new and innovative approaches to the Region's special problems, the original Appalachian legislation emphasized demonstration programs. Under this mandate, ARC has encouraged and fostered such new approaches as primary health care service networks using physician extenders; job-relevant vocational training that makes maximum use of available facilities; mining area restoration techniques; and areawide rural education service agencies. Experience has emphasized the importance of assessing the results of these demonstrations so the Commission can effectively fulfill its role as a demonstrator of new approaches and an advocate for change. In its program evaluation activities, the Commission concentrates on assessing innovative activities as a means to validate new technologies and service delivery systems and to encourage and support their use throughout the Region and the nation. Once evaluation results are available, particular attention is paid to the acceptance of the new approaches. This calls for ARC advocacy efforts and technical assistance activities to gain continued funding commitments that assure the survival of the new approaches.

Principle: To strengthen the capacity of federal, state and local public and private institutions to promote and sustain regional development.

As stated earlier, the Appalachian program was designed to use two major approaches. First, several specific grant programs with accompanying authorizations and appropriations were established to provide assistance. Second, a new federal multistate institution was established to make decisions regarding the use of the grant funds; to develop policies and advocate their acceptance and application; to provide technical assistance; and in other ways, to further regional development. The ARC experience demonstrates that the Appalachian Regional Development Program must emphasize institution-building as a way of promoting the Region's economic development and meeting its special problems. This calls for active involvement of all levels of the federal system. The Commission by itself has neither the fiscal nor the staff resources to meet all the needs of the Region. It must depend on the acceptance and cooperation of other agencies. The Commission, therefore, continues not only to strengthen its own organization and operation but also to help federal, regional, state and substate local agencies respond to regional needs and to develop appropriate policies and programs.

Some of these responses involve direct participation in Commission activities. Federal agencies directly administer Commission grant assistance and contribute to Commission policy development through the federal cochairman. States have a major role in Commission policy-making and in administering the program within their boundaries. They draw upon and cooperate with district and local agencies with the districts as the chief link between state and local governments. Other responses depend upon public and private agencies accepting and applying ARC policies and priorities in their own programs and activities. The Commission encourages and supports such efforts so that the agencies have the capability to contribute actively to regional development.

II. THE COMMISSION PARTNERSHIP AND ITS PLANNING PROCESS

The Appalachian Regional Commission represents a partnership among the three levels of government; federal, state and local. Each level has specific responsibilities in the ARC system: all formal actions of the Commission require an affirmative vote from the federal cochairman and the majority of the states; all project proposals and development programs must be submitted from the state level; and all programs must be coordinated with multicounty local development districts (LDDs) to reflect local priorities. Together, these requirements have established a coordinated system designed to tie together regional development efforts -- federal, state and local, public and private.

The Appalachian Regional Commission

The Commission is composed of the governors of the 13 Appalachian states and a Presidentially-appointed federal cochairman. A states' cochairman is elected from among the governors; the position is rotated annually among the states. The governors also appoint a states' Washington representative who represents the interests of the states on a day-to-day basis within the Commission. The executive director of the Commission is appointed by and reports to the governors and the federal cochairman jointly; he heads a permanent staff of approximately 115 persons.

In the Commission program, projects are initiated at the state and local level and included in the annual state development plans and investment programs. These plans and investment programs must be approved by the Commission. The federal cochairman represents national interests in the Commission's deliberations and decisions. By blending in this manner the states' concerns and priorities with national policy, the Commission makes the joint decisions and determinations which constitute the regional development program.

Another group of participants, although only briefly mentioned in the original legislation, has taken on increasing importance over the Commission's life. The Commission is authorized to make grants to multicounty local development districts certified by the states. During more than a decade of experience, the local development districts have proven their capacity to help local governments and citizens share in economic development on an areawide (that is, development-districtwide) basis. The states rely on the LDDs for local government and citizen participation in their development planning process. Through representation on LDD boards and participation in their activities, local government completes the three-layered institutional framework of the Commission.

In addition to administering its basic grant programs, the Commission fulfills a number of policy and staff functions for its member states. The regional plan, for example, is the Commission's responsibility. With the participation of the states and the federal government, the Commission serves as a spokesman for the Region and helps advocate policies that respond to the Region's special needs. The Commission provides an opportunity, when a consensus can be reached, to present a single position rather than 14 positions. It also provides the states with an additional regional voice in Washington. Finally, the Commission provides professional staff resources that the states draw upon in developing their programs.

Through research and evaluation activities, the Commission and its member states provide information regarding conditions and needs in the Region -- information used by the Congress, the executive branch and the local governments in their efforts to develop appropriate programs. The Commission also actively supports national policies designed to strengthen the economic development of the Region and to meet its special needs. In carrying out this policies-support function, the Commission works with Congressional committees and federal agencies in proposing and supporting new legislative proposals and executive policies. It also works with federal agencies on a day-by-day basis to help them respond to the needs of the state and local governments in carrying out their program activities.

The Commission's professional staff works with the member states and through them, with the local development districts to provide technical and professional assistance. To the extent that its limited resources permit, the staff helps the states and LDDs with information, planning for activities and developing and administering programs.

The State Members

The member states of the Commission occupy key positions both in the development of regional policy and in program administration. They participate jointly with the federal government in developing regional strategies and programs and making basic policy decisions regarding grant programs. The states are also jointly responsible with the federal cochairman for approving all programs and projects to be funded by the Commission. A state's programs and projects must implement a Commission-approved development plan submitted by that state. Thus an Appalachian state has a dual responsibility: at the Commission level, to participate in the initiation and approval of programs; at the state level, to provide general direction to the ARC program within the state's borders.

The governor of each Appalachian state, assisted by one of his close advisors -- the state alternate -- is responsible for Appalachian state development planning, program policies and the identification and approval of priority projects for Commission funding. This includes responsibility for formulation of the state development plan, which identifies policies, strategies and priorities under which specific programs and projects are eligible for funding. The continuing process of project and program management, including project review, approval, monitoring and evaluation, is the responsibility of the state alternates and the appropriate federal and state agencies. They are also responsible for coordinating the Appalachian program with other state and federal programs.

The Local Development Districts

The administration of the Appalachian development program by the states has placed increasing emphasis on local development districts as a logical extension of the Commission concept to local governments. The LDDs are multicounty planning and development agencies concerned with the day-by-day work of development. Although LDD boundaries are generally established by the states, participation in LDDs on the part of counties, cities and towns is voluntary except in West Virginia, where the organization of LDDs is mandated by state law.

The 69 organized, operating substate districts designated as LDDs cover the entire Region. They receive administrative support funding from the Appalachian Commission.

These areawide (development-districtwide) agencies are part of state-recognized systems for planning and development. They provide an opportunity for their member governments and citizens to assess their needs jointly and to undertake cooperative programs.

The LDDs do not all have identical organizations. Some are joint planning and development agencies; others are councils of governments; still others are nonprofit development commissions. But all of them carry on a wide range of activities: (1) areawide development planning through the preparation and adoption of areawide action programs (AAPs) stating areawide development strategies and funding priorities; (2) areawide coordination of planning, programming and technical assistance programs; (3) assistance to their member local governments in undertaking joint projects and combining service delivery systems; and (4) the provision of technical assistance to local governments.

The 1975 Amendments

Fine-tuning the Commission's program to better reflect changing needs and priorities is a continuous one at ARC and the 1975 amendments to the Appalachian Regional Development Act provide an excellent illustration of the kinds of refinements sought.

The Regional Plan: To further coordinate and unify planning for the Region, Congress added language to the Act that required preparation of an overall regional development plan. The plan, adopted in 1977, consists of a number of documents which affect the continuous, ongoing nature of the planning process. They include the policy document, Goals, Objectives and Development Strategies for Appalachia; the ARC Code; Commission resolutions; development policies included in state Appalachian development plans and investment programs; and the fiscal year program budget. Plan preparation began with public meetings throughout the Region and called for continuous and active participation by the states in all planning and adoption phases. From the states came the policies expressed in their development plans and, through them, the policies contained in district plans and areawide action programs. The plan blends these policies with Commission policies and provides guidance for preparation of the annual implementing investment programs and the areawide action programs at the substate district level.

State Plans: At the beginning of the Appalachian program, the states imposed upon themselves the task of developing individual state plans and growth area strategies that would accomplish the kind of policy and program planning essential in dealing with regional problems. ARC's 1975 legislation formalized this requirement and specifically called for state development plans which describe the state organization and process for Appalachian planning, including the procedures established for participation of the local development districts and the means by which Appalachian planning is related to the overall statewide planning and budgeting processes. Each state's plan identifies needs within the Region; sets forth the goals, objectives and priorities of the state for the Region; and describes the development program for achieving the objectives, including funding sources and recommendations for projects.

The 1975 requirement and each state's long experience with development plans has led them toward more comprehensiveness in their planning and consideration of all investment possibilities, not just those associated with ARC-funded programs. A number of states have gone even further and incorporated their Appalachian development plan into a statewide development plan.

Local Participation: The 1975 legislation called upon the states, in carrying out their planning, including the selection of programs and projects for assistance, to consult with LDDs, local units of government and citizen groups, and to take into consideration the objectives and recommendations of these local organizations. It is the responsibility of the LDDs, working with their various public committees, to prepare plans and recommend projects that represent local needs and desires. These plans are submitted to the Governor of each state to be considered in developing the state's Appalachian development plan.

The Commission's system has emphasized the LDDs as the vehicle for coordinating a number of programs. The result is that decisions, instead of being arbitrarily imposed from above, are more and more made by the people whom they will most affect. And through this process these people are finding themselves better equipped all the time to make these decisions. LDD participation in policy-making for such programs as housing, regional education services, rural transportation, environment, natural resources and solid waste disposal has become significant. Ideas and priorities from the LDDs often form the basis of the investment program portion of the state development plan. The 1975 legislation strengthened this relationship.

In addition, the role of public participation in the development process has been enhanced through a number of public meetings on the regional plan and the institution of a continuing regional plan process that includes regionwide conferences to develop policies for the Commission. Recent meetings of this type included the Appalachian Conference on Balanced Growth and Economic Development, the ARC conference on Raising a New Generation in Appalachia, the Kentucky Appalachian Development Conference, and a series of seminars designed to assist the initial operations of the President's new Coal Commission.

The Areawide Action Program: Because Congress was aware of the increased reliance being placed on the local development districts, it directed that the LDDs be encouraged to prepare and execute areawide action programs.

AAPs are consolidated investment programs that analyze a multicounty area's assets and problems, identify its needs and recommend priority projects for funding. As of this writing, 52 of the 69 LDDs are engaged in special efforts to formalize their planning activities and bring them together into a single process to produce an AAP capable of being used as a guide for the utilization of funds by as many federal, state and local agencies as possible.

Each AAP consists of two major parts. The first section assesses problems and needs and outlines relevant development policies and strategies. The second section establishes priorities and sets forth the LDD's multiyear funding program for capital construction projects and service delivery programs. These projects and programs are all placed within the framework of multicounty, state and ARC strategies and priorities. The LDD board, assisted by staff and in consultation with affected public and private interests, is responsible for developing and approving the AAP.

This process has enabled the LDDs to participate even more actively in the total ARC development planning process and to contribute to the development of areawide investment policies. It has also helped them gain maximum benefit from all available funding sources and has provided a basis for future assessment and program review.

Gubernatorial Participation: To increase the personal participation of the Governors as active members of the Commission and to enhance ARC's ability to serve as a truly effective forum, the 1975 amendments made a number of changes dealing with the Commission's membership, voting and administrative powers. Among these changes were:

- Only the governor may be the state member on the Commission.
- The governor member may have a single alternate, but that alternate must be either a member of the Governor's cabinet or on the Governor's personal staff.
- Certain decisions may now be made only with a quorum of governors present: specifically, decisions involving Commission policy and approval of state, regional or subregional development plans or implementing investment programs, any modification of the ARC Code, or any allocation of funds among the states.
- Gubernatorial participation in the annual regionwide conferences on major Appalachian issues and problems.

These changes have assured the governors' control and participation in Commission decision-making and have enhanced the Commission's ability to serve as a forum for the resolution of policy conflicts (among the states and between state and federal agencies) through discussions among the governors and the federal cochairman.

DEVELOPMENT PLANNING, BUDGETING AND PROGRAM MANAGEMENT

The development planning, budgeting and program management activities of the Commission are aimed at bringing together an economic development program which results in identification of projects for funding. The procedures developed since 1965 for arriving at decisions within the ARC program are the foundation for the Commission to make its investments to serve people in Appalachia. This system is unique in providing opportunities for broad participation in all aspects of this process -- planning, policy-making, programming funds, and program management. Stated another way, what is important to the Region is not only what the Commission does, but how it does it.

Development Planning

The ARC regional development planning process consists of a number of continuous ongoing activities and actions. It is not static and is subject to continual review and revision in light of changing priorities, conditions and objectives. In a broad sense, these activities include program development, evaluation, special studies, adoption of policies by resolution at Commission meetings, holding periodic policy development conferences, the development of the Commission program budget, and state and district development planning. Moreover, this process allows numerous opportunities for direct citizen participation in the formulation of policies for Appalachia. Finally, this process goes beyond the usual development planning concepts practices within the federal system. It is designed as a single method for planning, setting priorities, and programming funds at three levels -- local, state and multistate regional level.

The Evolution of the ARC Planning Process - 1965 to 1979

In its 1964 recommendations, the President's Appalachian Regional Commission noted that "...we have not created a complete 'plan for Appalachia'--a document setting forth in great detail a complete range of actions needed." Instead, this special advisory group suggested that two steps be taken around which a complete program could be created: (1) an immediate or short run investment to provide basic facilities and programs and (2) a regional organization to allow maximum use of both existing and new resources in a continuing development effort. These two fundamental principles were incorporated into the Appalachian Regional Development Act of 1965.

It was decided early in the life of the Commission that the preparation of a single comprehensive regional development plan would not be practical. There were a number of reasons for this decision. First, an attempt to develop a "regional" investment plan would tend to obscure much of the diversity of problems and needs within the 13-state area of Appalachia. It also was not at all clear that the development of a comprehensive regional plan, as that term is usually understood, was technically feasible. There was no reason to believe that the use of a single regional plan to program all of the Commission's investments would have led to a greater return for the Region as a whole than would the use of individual state development plans devised by people who were much closer to local problems. Although they would be developed within the framework of Congressional and regional policies and priorities, these several plans would probably have different approaches, assumptions and objectives. Finally, the Commission was intended to be a federal-state partnership in which a major share of responsibility and authority was to be given to the states. In view of both this fact and the technical considerations mentioned, the decision to delegate to the states the basic responsibility for programming Appalachian investments within their borders made very good sense.

However, in another sense, elements of a regional plan were developed and refined. A set of program and institutional tools and regionwide strategies for their application were adopted early in the life of the Commission and have been continuously refined to the present. In this sense a regional planning process existed. Beyond this, the Commission retained basic responsibility for building a common base of information, analysis and policy directions. It took particular responsibility for regionwide functional plans (highways, airports), and a host of program development studies which often preceded new legislation or state action and helped determine priorities for the types of activities that would be funded in health and education program areas.

The Commission proceeded to establish a state development planning process and shape planning and program policies into an operating code. The Commission did not, however, develop a regional plan. In 1970, it undertook an evaluation of its five years of experience and published the results as The Appalachian Experiment, 1965-1970. Five years later, at the end of ARC's first decade, an extensive program design effort began. It consisted of a series of special studies directed by Commission subcommittees and a series of special public meetings held throughout the Region. The results were submitted to Congress in "A Report Prepared to Support and Explain a Proposed Legislative Program, Adopted in September 1974, for the Appalachian Regional Commission."

In 1975, when amendments to the Act were under consideration, Congress recognized that patterns of development in Appalachia had changed and that alterations should be made in the Act's program emphasis. An amendment was added to the Act's statement of purpose acknowledging these changing conditions and focusing particular emphasis on the nation's critical energy supply problem. Congress directed the Commission to assess these changes and prepare a regional plan that would define goals, objectives and priorities for the development of the 13-state area.

The regionwide planning effort was launched with an ARC report that set forth basic policy issues facing the Region -- Appalachia Today: Issues and Problems. On November 9, 1976, the Commission approved a resolution which provided that the Commission would, "Prepare and adopt an overall Regional Plan, establishing a set of goals, objectives, policies and priorities for the entire Region for the planning and coordination of local, state and federal development efforts for the best use of public funds and the stimulation of private investment for development." The resolution also approved the areas of consideration (drawn from the issues presented in Appalachia Today) to be addressed in the plan. Finally, it provided a schedule for developing the plan in consultation with the states and for holding a series of public meetings to refine the issues and analysis.

The issues report was widely distributed as a basis for discussion at public meetings. Such meetings were held by all of the states in cooperation with their local development districts. Summaries of the meetings were prepared by the states and submitted to the Commission, along with state conclusions and comments.

Earlier evaluation and program design efforts, the issues discussion report, state comments and development plans, and public meeting results were the basis for a preliminary draft of regional goals and objectives prepared for review at a Commission meeting. In December 1977, the report titled, Appalachia: Goals, Objectives and Development Strategies, was adopted. There are four primary purposes for this document: (1) to bring together in a single document the policy, programmatic thrusts and rationale of a development program for the Region; (2) to provide, in conjunction with the ARC Code and program budget, a policy framework for the program; (3) to provide regional guidance for the preparation of state plans and, through them, the areawide action programs; and (4) to communicate Commission-approved regional policies to federal, state and local agencies, the Administration, Congress, and the Office of Management and Budget. The report, then, sets forth policies for the development of the Region and serves as a tool for the administration of the Commission program.

Finally, policies in certain resolutions adopted by the Commission are an important product of the Commission's regional planning process and complement the policies presented in Appalachia: Goals, Objectives and Development Strategies. These resolutions include a series of recommendations which were a result of discussions at the Appalachian conference on balanced growth and economic development held in Charleston, West Virginia in October 1977. They deal with recommending establishment of a national system of regional comissions, a series of recommendations related to energy production and the impact of increased coal production on Appalachian states and localities, equity in federal program requirements and allocation formulas for small cities and rural areas, and among others, policy guidelines to further private sector participation in the development planning process. These recommendations have been made part of the Commission's regional development plan.

The components of the regional plan, viewed from a regional perspective, consist of a series of documents reflecting actions taken by the participants in the Commission program. Each are discussed in more detail in other sections of this report. While the process previously described is the important feature of regional planning, the results have to be communicated and reduced to reports. They include:

- The statement of multistate regional policies as incorporated in the document, Goals, Objectives and Development Strategies for Appalachia, adopted December 8, 1977 by the Commission. These policies provide the framework for a development program for the Region; provide guidance for preparation of the 13 state development plans, the annual implementing investment programs and the areawide action programs at the substate district level.

- The policies developed and recommended by regionwide conferences and adopted by the Commission, such as those recommendations included in the task force reports of the Appalachian Conference on Balanced Growth and Economic Development which were incorporated in a series of resolutions adopted by the Commission on December 8, 1977.

- The statement of Commission policy and guidelines for program administration set forth in the ARC Code.

- The funding policies, reflecting program priorities developed at the Commission and state levels, included in the current fiscal year Budget Plan, submitted to the Office of Management and Budget, and the Program Budget, submitted to the appropriations committees of Congress.
- The individual state development policies included in their current development plans and investment programs, which are approved annually by the Commission. Summaries of these plan objectives, needs and priorities and investment programs are presented in the annual Abstracts volume.
- The basic data and analysis regarding the Region's economic and social well-being included in Appalachia -- A Reference Book and Appalachia -- An Economic Report.

In November 1978, the Commission held its second regionwide policy conference in Asheville, North Carolina. This meeting focused on the problems of Appalachian children and families and how they could best be helped to meet tomorrow's responsibilities. Participants presented to the nine Appalachian governors attending the conference their specific recommendations on what action ARC should take itself and what action it should urge on the nation in its role as an advocate for the Region. The Commission decided at the spring meeting of its governors how it should alter its own program on the basis of those recommendations and what action it should urge the President and Congress to take (see Resolutions in Part IV of this report).

Steps are now being taken to hold a third regionwide conference in late 1979. These conferences, involving citizens, local, state, and federal government officials, have become an established part of the Commission's regional planning policy procedure. The active participation of the Appalachian governors in these multistate policy meetings can be traced to the 1975 amendments to the Appalachian Regional Development Act which set the tone for broad public participation in the Commission's decision-making process.

Other types of important policy meetings have been sponsored by the Commission since 1975. In 1978, eleven sessions with representatives of labor, industry, research organizations and government were held at ARC's Washington office to discuss coal mining problems and identify opportunities for action to the President's Commission on Coal. The recommendations of the participants in these coal seminars have been presented to the Coal Commission. Finally, the ARC sponsored conferences on March 16 and 17 and June 29, 1978, to consider problems and opportunities associated with agriculture and forestry in Appalachia. These were attended by representatives appointed by the governors of each state and officials of the U.S. Department of Agriculture. In these meetings it was noted activity had been sparse, and that the small Appalachian farmer and woodlot owners warrant greater attention. An ARC policy resolution reflecting this increased emphasis was adopted by the Appalachian governors in November 1978.

The Development of Regional Policies - An Intergovernmental Approach

The Appalachian Regional Commission is an institutional arrangement which has permitted the levels of government to evolve common strategies, resolve inconsistent or contradictory aims, and negotiate mutually acceptable approaches. The Commission provides a mechanism through which the federal government and its agencies, the states, and through local development districts, the local governments can participate jointly in planning policy development, program and investment decisions, and the joint use of funds. It permits an interaction among levels of government and among functional agencies; in addition, it links policy development and planning with implementation.

The Commission Role

In the development of regional policies, the Commission provides a forum for policy-making and a mechanism for implementation and evaluation. The experience, judgment, and insights of governors and other state officials play an integral part in the policy-making process, as do those of the Federal Cochairman, and through him, other federal officals. Within such policies and procedures, governors have responsibility for preparing a development program and projects to implement it. The federal presence in the Commission program is assured by the requirement for Federal Cochairman review and approval of state plans, programs and projects. The federal role makes the Commission unique in its approach to regional development. From a planning standpoint, this process has the vital asset of permitting face-to-face negotiation among the representatives of the federal government and the states, not only regarding policy development, but also program and project investments to implement policies. At the local level, a similar procedure takes place among representatives of cities, towns, and counties and citizens with their participation in local development district activities.

The vital characteristic of this system is that it provides a process for communication and cooperation among federal, state and local governments which enhances their effectiveness. It involves shared responsibility and joint decisions.

To conclude, the Commission's regional planning, program and operational decisions actually emerge in a complex executive, legislative, federal, state and local context. The Commission is not only a "planning" agency in the sense that many other multistate regional agencies are, but it also has policy-making, program development, and program management responsibilities for a $360 million annual program. The Commission's federal-multistate arrangement is not merely to achieve coordination or decentralization or planning -- its "plan of action" is to provide a continuing joint decision-making process that is developed and nurtured as a part of joint planning, program development, management, and administration.

The States' Role

At the state level, the regional planning process produces state development plans and annual funding programs which have long been the basis for ARC funding priorities. The overall policy framework of each state is presented in a document known as a state development plan which sets forth each governor's goals, objectives and development strategies. The annual investment programs -- the programs and projects for which funds are sought -- is the state ARC program statement of the governor for that fiscal year. Each state has drawn upon the input of local development district planning and program priorities and most carry out this practice through consideration of district areawide action programs. ARC funding support is included in the state annual investment program. Finally, state plans reflect the Commission's goals, objectives and priorities for regional development. These state plans and investment programs must be approved by all states and the Federal Cochairman jointly.

From the viewpoint of state participation in Appalachian program administration, there are three major elements that are of primary concern to the governors: general policy development; state program management; and program development including legislative proposals. The focal point of this process within the states, however, is the state's development plan, its investment strategy and investment program, and the procedures for developing both of them.

The guidelines for preparing state development plans were deliberately designed by the Commission to allow latitude for state initiative. The reasons for this were straightforward -- the imposition of detailed requirements would not allow for realistic development of growth area policies that reflected unique combinations of problems and situations within particular states, would not exploit opportunities for state and local planning expertise, and finally, would not permit the Appalachian program to move away from the stultifying rigidities of many "typical" federal grant program planning requirements.

The policies which provide necessary guidance concerning state development plan preparation were amended in March 1977 after extended review and discussion by state development districts, Congressional committees and ARC staff. They reflect the 1975 changes in the Act and ensure that the policy focus of a state plan, as provided in the Act, is a statement of what the governor intends to do, why he intends to do it, and on what basis his decisions are made. Commission policies now require that states provide a comprehensive assessment of the needs of the Appalachian portion of the state. The way in which each state chooses to address solutions to those needs may vary from state to state as will the identification of which problems and program areas will receive the greatest emphasis. The new planning policies reflect the intent of Congress, expressed in the Act and the Senate Committee report, that a process be established to meld regional policies as set forth in the Commission's regional plan with those of the states as determined by their governors and included in their state development plans.

The Local Development District Role

Operating within the state development planning program, the local development districts in the Appalachian Region have made significant progress and provided a base of experience on which to build. In the context of the Appalachian regional program, the districts have long contributed to program and project proposal development.

Since 1975 a new role for districts has emerged which enables them to play an even more important part in the regional planning process. At the substate level, this expanded role centers on the process called the areawide action program (AAP). Districts in all of the Appalachian states are engaged in AAPs. An AAP is a consolidated investment program that analyzes an LDD's assets and problems, identifies its needs and recommends projects in order of priority for funding. Each AAP consists of two major parts. The first section assesses problems and needs and outlines relevant development policies and strategies. The second section establishes priorities and sets forth a long-term, multiyear schedule of funding, listing the expected funding source for the proposed projects and programs. The AAP describes how all such projects and programs fit into the framework of multicounty, state and ARC strategies and priorities.

The LDD board, assisted by its staff and in consultation with affected public and private interests, is responsible for developing and approving the AAP. AAP preparation is a continuous process, requiring constant updating and revision as events supersede old priorities and make new ones essential. The AAP process enables local development districts to participate even more actively in the total ARC development planning process, to play a bigger role in the state development process and to affect areawide investment policies. The AAP recommends to the states as well as federal agencies how best to use all available funding sources. It serves as a basis for future assessment and program evaluation. The Commission's publication, "Areawide Action Program", issued in 1978, serves as a guide to the preparation and use of the AAP process.

With the help of the AAP process, the LDDs are becoming more involved in the total ARC development planning process and are making an increasingly valuable contribution to the adoption of coordinated investment policies. With their unique ability to know the opportunities within their borders and to bring the public, private enterprise, local governments and the state together to capitalize on these opportunities, they are an invaluable part of the ARC partnership. A Resolution to be considered at the spring Commission meeting would further enhance the role of the LDDs by inviting LDD representation on several key Commission advisory committees.

Regional Programming and Budgeting

The combination of the single authorization of funds for nonhighway programs, the single noncategorical appropriation, and the single allocation to the states within the context of Commission established priorities, allows the Federal Cochairman and the states jointly to develop the best mix of investments among program areas to reflect changing needs and capabilities of the Region and the states.

Preparation of the program budget involves the states. The states, drawing on program priorities developed through the state development planning process, provide estimates of the funds needed in each major program and subprogram area. These estimates are then evaluated against the Commission's regionwide priorities in arriving at the final budget estimates provided to OMB and the Congress in seeking appropriations.

The regional programming and budgeting process involves local development districts, states, and the Commission and produces a responsiveness and accountability in the priorities of spending Commission funds. At each of the levels a number of agencies, public officials, program administrators, and citizens participate in the process and influence decisions made. As a result, district plans and areawide action programs, state development plans, and Commission policies and budgets provide jointly arrived-at estimates of funding priorities. This information is included in the annual Commission budget request for the area development (nonhighway) program.

Program Administration and Grant Management

In spite of all efforts to consolidate and simplify grant assistance programs, the number of federal categorical grant programs has continued to increase. The increase in categorical programs has been accompanied by concern over fragmentation; duplication; complex and detailed regulations, requirements, and guidelines; varying eligibility requirements; and complex allocation formulas for distribution of funds. Congress responds to national needs with grant programs tailored to assure that programs address these needs. The programs frequently include specific eligibility requirements and grant allocation formulas designed to further assure that specific needs are adequately responded to. Because of the varying conditions and situations throughout the country, states and local governments are concerned that unforeseen rigidity, duplication, overlap, and complexity may result. This would hamper their efforts to respond to varying needs through coordinated programs which reinforce one another.

Increasingly pleas are heard that a strong state role be maintained in the implementation of domestic programs or that grants go directly to local governments as one way of dealing with the complexities of the grant system. Block grants to the states and general revenue sharing are two approaches to this problem which have been taken. However, the adoption of grant consolidations and block grant programs has been limited while categorical grant programs persist and expand in number.

The absolute necessity for coordinated action between the states and the federal government and the need for a continuing organizational framework for such cooperation in the future was recognized early in the Commission's life. To overcome the problem of functional isolation and lack of a coordinated approach or coherent strategy within regular federal aid efforts, the Commission was to provide a broad link between federal agencies, the states, and localities. To overcome the problem of fractionalization in program administration, the Commission was to work all program features into an administrative system. The staff, through the role of the federal cochairman, was to concentrate on a program coordination and brokerage effort within the federal government. The Commission itself was to be the link between federal agencies and the states. At the state level, the governor or his designee, was to tie the state actions into a single coordinated program.

The policy development and the planning aspects of the Commission role discussed above have their counterpart at the program administration level. In addition to being a regional policy development and planning agency, the Commission is an action-oriented program administration agency. It provides a program management structure within which joint federal-multistate decisions can be made regarding program guidelines, allocation formulas, and program procedures. The Commission's guidelines embodied in the Code and the project preparation guidelines address both the implementation of policy -- as in the case of the definition of the eligibility for primary health care assistance or the single allocation formula -- and program management -- as in the case of provisions dealing with joint work programs or delegation of program management responsibilities to the states.

The Commission Code provides a basic set of program policies and procedures jointly agreed upon by federal and state representatives. This offers a common approach to program regulations and guidelines not elsewhere available when separate federal and state program requirements must be satisfied.

Several program management activities of the Commission merit special attention:

Interagency Agreements

The Appalachian Regional Development Act authorizes the Commission to enter into cooperative agreements which may be necessary in carrying out its functions. Under this authority the Commission has entered into two major kinds of joint memorandums and agreements with federal agencies.

Grant Administration. One type of agreement establishes the procedures, terms and conditions under which ARC transfers funds to basic agencies for the award, administration, monitoring, and reporting on grants and for grant close-outs.

In order to assure that all of the requirements of the Appalachian Regional Development Act are met by federal agencies responsible for administering grants and that ARC is informed of the funding status of all projects receiving Commission grant funds, the Commission is negotiating new interagency agreements. The new agreements place particular emphasis on reporting the status of funds on a project-by-project basis so that the Commission can be assured that funds are disbursed in accord with its requirements and that unexpended project balances can be made available for use by ARC in funding new projects.

Planning and Programming. As part of its efforts to work with federal funding agencies to strengthen the areawide action program (AAP) process and gain acceptance for funding priorities developed through it, the Commission has developed joint memoranda with a number of federal agencies. The memorandums establish the relationship of the AAP to areawide planning efforts supported by federal agencies and to related project funding priorities and decisions. Memoranda have been developed with the Economic Development Administration, the Environmental Protection Agency, the Soil Conservation Service, and the Rural Development Service. The EPA memorandum identifies similarities between the AAP process and the Section 208 waste management planning process supported by EPA. The SCS memorandum identifies areas of potential cooperation between the AAP process and the Rural Conservation and Development planning process supported by SCS. The EDA memorandum asserts that EDA is prepared to accept composite district development program reports so that OEDP requirements can be met in a single document which can also be an AAP and which further can meet the planning requirements of other agencies.

More recently a new memorandum has been adopted with the Farmers' Home Administration. It establishes the basis for a continuing joint effort between ARC and FmHA to promote cooperative arrangements which will result in the better delivery of federal assistance to rural America. In making loans, loan guarantees, and grant decisions within the Appalachian Region, FmHA agrees to give major consideration to the AAP priorities insofar as they are incorporated in the Appalachian state development plans and meet FmHA policy directions and eligibility requirements. FmHA and ARC agree to support efforts within the Appalachian Region to conduct comprehensive planning programs to formulate and recommend priorities for the investment of public and private development funds and to encourage other agencies to participate in and accept the process.

Discussions are underway with the Department of Housing and Urban Development to develop a joint memorandum which will relate the AAP process to HUD's 701 planning support program and appropriate program funding decisions. Discussions have also been held with the Department of Transportation to explore the potential for a memorandum establishing the relationship between the AAP process and transportation planning. The purpose of all of these efforts is to establish an areawide planning process which can meet the requirements of as many funding agencies as possible through a single process and an areawide development program including funding priorities.

Joint Funding

While the phrase "joint funding" had not been coined when the Appalachian Regional Commission was created, the operating philosophy of the Commission is anticipated in many of the objectives of the Joint Funding Simplification Act. The traditional categorical grant-in-aid approach had proved to have major limitations in making headway toward the solution of the special problems faced in the Appalachian Region. Recognizing this when it created the Commission in 1965, Congress gave the Commission broad grant authority to cut across the grain of the federal categorical grant-in-aid structure in a coordinated and systematic fashion. The Commission's supplemental grant authority allowed it to increase the federal share of any federal construction grant. This authority was later broadened to apply to related programs and to include so-called "first dollar" money when no basic agency federal funds were available.

The Commission's use of this authority and its basic program approach of coordinated development planning and programming permits it to incorporate many of the objectives of the Joint Funding Simplification Act and OMB Circular A-111. However, where the Circular A-111 approach develops specific procedures on a project-by-project basis, the Commission has developed general operating provisions in its Code and interagency memoranda dealing with both grant administration and planning and programming. These arrangements apply to all projects on a continuing basis and go to project planning and development as well as funding.

In effect, the Commission has both been a testing ground to evaluate various funding mechanisms and has served, and can continue to serve, as the vehicle to implement those funding systems which are found to be most effective.

State and District Program Management Responsibilities

The recently established state Appalachian housing program is an example of the potential provided by increased state involvement in Commission program management responsibilities. By making funds available directly to the states they can develop programs in conjunction with their local development districts and other appropriate local agencies. The intitiative for efforts cutting across traditional program lines can be provided at the level of government closest to the people and best equipped to respond.

The administration of the state Appalachian housing program permits the melding of Commission overall policy priorities with state program design and project management. This assures the accomplishment of regional goals and objectives while providing flexibility for tailoring and packaging assistance at the state and district level. The Governors designate a state implementing agency which is approved by the Commission. The agency must have the authority to administer the program consistent with the Appalachian Act, Commission policies, and state adopted guidelines. An Appalachian housing fund is established which can be used to provide the grants and loans authorized under the program. The fund is maintained through repayment of loans and periodic grants from the Commission. Within the states the program is administered in conformance with a state developed handbook and guidelines which are reviewed and approved by the Commission. All projects funded under the program must be consistent with the housing development portion of the state Appalachian development plan and the state's Appalachian housing program must be identified in the annual implementing investment program approved by the Commission. The Commission is responsible for a compliance audit and review of the state programs.

Evaluation and Monitoring

ARC's commitment to evaluating its program began in the early years of the Commission. The first major effort to evaluate the impact of the Commission's program was titled The Appalachian Experiment 1965-1970. It consisted of 16 evaluation study papers prepared by ARC staff, independent consultants and members of university faculties. These papers evaluated specific program areas of the Commission (e.g., highways, vocational education and housing) as well as assessing the impact of the total ARC program and its strategies.

A second major evaluation effort was launched in 1974. A series of studies were prepared to support and explain the proposed legislative program of ARC and were adopted by the Commission. They consisted of a number of reports covering all facets of the Commission's program. Many of the reports were concerned primarily with the evaluation of the various programs, policies and strategies of the Commission. In addition, future program directions were outlined by Commission subcommittees and adopted by the Commission. The Institutional and Development Strategy Subcommittee in its report of September 6, 1974 clearly recognized the need to establish within the Commission a "continuing evaluation function to identify the strengths and weaknesses of ongoing approaches to resolving the Region's problems."

The Commission's regional plan which includes as an objective of ARC the development of a project monitoring and program evaluation system which will assist the Commission in carrying out its Appalachian development planning and programming process by:

- Assuring that Commission investments are achieving their identified objectives in a timely cost-effective manner; and
- Assessing the Commission's investments to assist the Commission in its role as a demonstrator of new approaches and an advocate for change in the Region.

In response to these commitments, a system has been implemented that addresses the need for an ongoing evaluation program within ARC. This sytem uses a number of different types of evaluation methods and approaches. Emphasis is placed upon evaluation of ongoing programs and the involvement of ARC decision-makers on Commission, state and local levels. Major evaluation efforts have already taken place concerning the health and child development program, the vocational education program and other major program areas. A partial bibliography of staff and consultant reports concerning evaluation of Commission programs is included in the Appendix.

Evaluation efforts are undertaken by both Commission and state staffs. The Commission staff coordinates any overall assessments of ARC policy, the state evaluation and monitoring assistance program, and gives technical assistance to state and LDD staffs in designing and implementing monitoring systems and evaluation studies. This involves staff in several divisions, particularly the Planning and Evaluation Division. State staffs are involved in coordinating and implementing the states' evaluation efforts. This is largely accomplished through the state evaluation and monitoring assistance program.

In 1975 the Commission established a state evaluation and monitoring assistance program to help the states better equip themselves for their continuing, active role in Commission planning, budgeting and program management and to assume additional grant management responsibilities. The objectives of the program are: (a) the development of the capacity within the states to design and carry out evaluation and monitoring activities in connection with the management, development, and refinement of their Appalachian program; (b) the design and development of an ARC project monitoring system which ultimately will cover all current and future ARC projects with the objective of providing consistent project data on a continuing basis for use by the Commission and the states in managing and evaluating the ARC program; and (c) the maintenance of complete and consistent information on the current status of all ARC projects funded in the state since 1965, including information concerning project completion status which will be provided to ARC.

All 13 states participate in the program. Initial emphasis in the states has been placed on setting up a project information and monitoring system. These systems have been used for a number of purposes including: identifying completed projects and unobligated balances thereby assisting the Commission's close-out procedures and helping to make additional funds available for current use; tracking project status to assist in identifying problems (construction delays, changes in the project design, etc.) and supplying information to decision-makers regarding past project performance, accomplishments, and failures. States have also assisted LDDs and project applicants in identifying measurable objectives for their projects that are appropriate to ARC objectives. The results of this effort will not only assist in monitoring and evaluating projects but also will assist state and ARC decision-makers in establishing program priorities and in project selection.

III. PROGRAM ACTIVITIES

An overview of the Commission's functional programs and the policies that guide them clearly demonstrates that ARC is constantly moving toward a broader understanding of the development process and the programs necessary to carry it out. The following discussion of Commission programs shows how ARC has invested its funds, describes the policies governing those investments, outlines the impact of the investments, and suggests new directions for improving their effectiveness. This will demonstrate how the Commission has carried out the basic mandates of the Appalachian Regional Development Act and the policy assumptions accompanying it.

Because of its broad goal of fostering the economic development of an entire region, the Commission's program activities are interrelated and cut across conventional functional program areas to a greater extent than those of most agencies. However, the Commission's actual implementation activities, both in its direct program grant and technical assistance role and in its advocacy role, are concerned with specific activities having specific impact on certain segments of the total economic and social picture.

ARC's functional programs can be broadly described as falling into six categories -- Highways, Community Services and Business Development, Human Services, Natural Resources and Energy, Commission and State Research and LDD support.

Highways includes:

- the Appalachian Development Highway System
- Access Roads
- Special Highway Planning

Community Services and Business Development includes:

- Community Development and Housing (water and sewer, recreation, and others)
- Transportation (local access roads, coal-haul roads, air transport, rural public transportation, railroads, and others)
- Enterprise Development (business-related technical assistance, research, loans, and others)

Human Services includes:

- Health Demonstrations (primary care clinics and services, home health, emergency medical services, dental health, health professional recruitment and training, and others)
- Education (vocational education, libraries, Regional Education Service Agencies, and others)
- Child Development Demonstrations (conferences, food and nutrition programs, child care services, and others)

Natural Resources and Energy includes:

- Natural Resources (land stabilization, mine fires, timber production, strip mine reclamation, and others)
- Environment (environmental analysis, mine water pollution, solid waste disposal, and others)
- Energy (siting of energy facilities, energy prospects, transportation of energy commodities, and others)

Since 1965 ARC has obligated approximately $1,981 million for development highways, $115 million for access roads and $1,337 million in education, health and child development, community facilities, housing, and energy and natural resources projects. This money has been matched by other federal, state or local sources in the amounts of $1,399 million for highways, $78 million for access roads and $3,114 million for other programs.

With the combined total of $3,516 million for highways and access roads from all sources, 1,711 miles of development highways and 680 miles of access roads are under construction or completed.

In 13 years, almost $3.4 billion dollars in ARC funds, matched by $4.6 billion from other federal, state and local sources, has been obligated for ARC projects. ARC funds are actually a very small part of the total federal and state expenditure in Appalachia over this period. The Commission has had to use its limited funds -- its annual budget is approximately $360 million -- in a careful way, a way designed to produce the greatest return possible for every public dollar spent.

The table on the following page summarizes ARC's nonhighway program expenditures since 1966. More detailed project and program funding data, cumulative through September 30, 1978, is provided in tables in the text and additional detail is provided in the Appendix. The Appendix tables of all nonhighway project approvals are organized by state, by major program category and by purpose. Highway expenditures data also appear in tables in the text and Appendix.

The Commission uses a twofold strategy in determining where to locate projects and programs and whom they are meant to serve. The strategy calls for concentrating money in areas which show a significant potential for growth, but at the same time making health and education services and facilities available to people wherever they are within

CUMULATIVE PROGRAM SUMMARY
FY1966-1978
(NONHIGHWAY PROGRAMS)
(MILLIONS OF DOLLARS)
(TOTAL ARC FUNDS)

	ARC	Other Federal	State	Local	Total Eligible Cost*	Total Project Cost
Total Cumulative Summary ** 6,171 Projects	$ 1,420	$ 1,242	$ 437	$1,465	$ 4,564	$ 5,073
• Health 1,433 Projects	385	230	40	600	1,255	1,449
• Child Development 436 Projects	137	112	11	44	305	305
• Voc. and Other Education 1,578 Projects	433	183	285	333	1,232	1,315
• Community Development and Housing 1,313 Projects	270	639	62	434	1,404	1,632
• Energy, Environment, and Natural Resources 110 Projects	74	0	22	0.4	96	96
• LDD,Research and Technical Asst. 1,110 Projects	91	7	7	27	132	132
• Other Transportation 163 Projects	21	72	10	24	127	131
• Enterprise Development*** 28 Projects	11	0.3	0.1	2	12	12

* Costs of projects which are not eligible for matching federal grants must be borne by the applicants.
Note. Through September 30, 1978 there was approximately $509 million in ineligible projects costs for nonhighway programs.

** Detail for program activities under each of the major program areas is provided in tables in the program sections following.

*** Does not include enterprise development projects funded in other areas such as technical assistance to local governments and employment of regional industrial development specialists. These projects, included in other program areas in this table, are added to the Enterprise Development table on page 77.

the Region so that they may eventually participate more effectively in society and the economy. The policy of putting most investments in areas with growth potential is based on the idea that such a concentration will stimulate more growth and greater economic benefits than would be produced by a series of scattered and unrelated investments.

In addition to the strategy of concentration, the Commission uses the idea of supplementation. ARC policy is to make grants tied to other federal, state, local and private funds in an effort to pull together as wide a range of resources as possible. Again, the objective is to realize the greatest possible return on the cumulative investment of public and private funds. Along with its outright grants, the Commission has a supplementary grant program under which it can add money to local community resources where these are inadequate to meet the matching requirements of grants from other federal agencies.

In enacting the Appalachian Regional Development Act, Congress took note that the communities of Appalachia lacked the tax resources to take advantage of existing grant-in-aid programs. Therefore, authority was included so that funds appropriated to the Commission could be used to supplement regular federal grants, decreasing the required local shares to enable communities within Appalachia to take advantage of existing federal programs. One effect of this authority has been to permit needy local applicants to participate in programs for which there was a need and for which the localities were eligible but which could not be funded in Appalachia because of the lack of local funds for matching. Needed grant dollars, therefore, did not flow into Appalachia. Section 214 funds made it possible for these needed dollars to flow thereby leveraging additional funds for programs and projects which carried out Commission strategies and priorities.

The structure of the grant system has changed over the 13 years since 1965. While the original intent of Section 214 has been retained, two major changes have occurred - one cumulative and continuing, the other of varying, cyclical impact. On the one hand, the permissible federal share in a number of basic programs which ARC funds are used to supplement has been cumulatively increased. On the other hand, actual appropriations available for expenditure under existing authorities even with higher authorized federal shares have frequently declined. This has had several consequences for the Section 214 supplementation program. First, fewer funds may be used to make up the nonfederal share since the share required has tended to decline. However, with varying and frequently declining appropriations available, more of the Commission's supplementation authority may be used to bring the federal share up to the authorized percentage of total project cost. This was necessary when limited federal funds did not permit agencies to provide the full authorized share for projects, frequently making the project unfeasible.

As appropriated program funds dried up altogether in a number of crucial program areas, needed projects could not be funded at all, even at reduced federal shares. Responding to this program, and recognizing the continuing necessity to respond to the special needs of Appalachia, Congress expanded the concept of Section 214 supplementation to include "first-dollar" authority. Where basic agency funds were lacking, this permitted the use of existing program authority to meet priority Appalachian needs for which federal funds were unavailable. Congress thus recognized that there were circumstances under which the Commission would need to expand the original concept of supplementation to meet priority needs in Appalachia identified through the Commission's regional development planning process.

Section 214 has proved to be one of the more imaginative and adaptive authorities granted to the Commission. The Commission has been able to respond to the changing nature of the grant system and with the new "first dollar" authority granted by Congress in 1971 to tailor programs to meet specific needs within the Region. As the Senate Public Works Committee stated in its report: "When funds under the basic grant-in-aid programs are inadequate to meet the region's identified needs, 'first-dollar money' would insure that the flexibility now provided by the Appalachian program could be maintained and strengthened."

All supplemental grants, including "first-dollar", reinforce the capacity of the states and LDDs to both plan and implement effective community development programs. By providing a portion of the local matching share required for a federal grant-in-aid program, supplemental grants may be used, for example, to:

- Provide an incentive for systems consolidations and multijurisdictional approaches which might not be considered without financial assistance. For example, a community may have a maximum grant and the required match, but could be encouraged to join with a neighboring jurisdiction to provide services at minimum financial risk to its own subscribers if 214 funds are provided.

- Provide incentive for a growth increment in a project. For example, a community may have a maximum grant and the required match for a minimal project; the addition of Section 214 funds would permit financing of a growth increment in the project, such as an increase in sewer line size, when there is reasonable expectation that growth will occur.

The net effect of all these policies is to restrict use of the Commission's limited financial resources to projects and programs that will do the most toward establishing a sound, self-sustaining economic base for the Region.

The 1975 Amendments

The 1975 legislation caused emphasis to shift in several ARC program areas.

Health: The major emphasis of the program has been to demonstrate workable methods for the delivery of basic health services to Appalachians. Early investments focused on the construction of facilities and development of programs in selected geographic demonstration areas. Following the 1975 amendments, emphasis was focused on medically underserved areas throughout the Region and the program focus shifted to basic level health care. Since 1975, 92 percent of Commission health dollars has been channeled into communities located in the Department of Health, Education and Welfare (HEW)-defined medically underserved areas.

Housing: Prior to fiscal year 1976, housing assistance under ARC's Section 207 was tied to mortgage insurance commitments under Sections 221, 235 or 236 of the National Housing Act, and grants and loans, except for technical assistance, were administered by HUD. The 1975 amendments permitted the Commission to assist housing under the Farmers' Home Administration and other housing programs of federal and state agencies, and it further allowed the Commission to directly provide housing assistance to the states. The amendments have been significant for several reasons -- nearly 92 percent of the 3,112 units assisted by Section 207 since Jasnuary 1, 1976 could not have been assisted prior to the amendments; and ten states have now established state Appalachian Housing Funds and are incorporating low- and moderate-income housing tools into their overall development planning.

Education: Since 1975, priority has been assigned to projects which better match training with available jobs and develop new, less costly and more effective approaches to the provision of that training. These projects include guidance, counseling and placement services; teacher training; efforts to encourage greater cooperation between the education community, private enterprise and the community as a whole in planning and carrying out training programs; and the development of approaches that lower the cost and improve the quality of the training provided.

The Commission is also giving more emphasis to basic education for both children and adults including reading and other nonvocational education authorized by the 1975 amendments. To increase a student's incentive to remain in school and avoid the need for future remedial help, special vocational education and work study programs are emphasized. In a related effort and to ease the problems of those with obsolete or underdeveloped working skills, the Commission has assisted in programs of career education and vocational upgrading and retraining. All of these programs are designed to make the best use of available facilities and funds rather than require new buildings and money.

Energy: In its 1975 amendments to the Act, Congress emphasized that the changes occurring in national energy requirements and production would have a significant impact on the Region's development. It specifically made one of the purposes of the ARC program the coordination of local, state and federal programs and projects dealing with the Region's special opportunities for expanded energy production. The guiding principle was to be the achievement of maximum social and economic benefits with minimum social and environmental costs. To further assist ARC in this assignment, the 1975 amendments authorized the Commission to provide assistance for energy-related businesses.

The Commission has developed specific energy policies and implemented several important energy-related programs. Projects assisted under this authority include:

- Low BTU gasification plants at Pikeville, Kentucky, and at Hazelton, Pennsylvania, funded jointly with the Department of Energy and the Economic Development Administration.
- Test gas wells designed to meet critical needs of industrial parks in Ohio and New York; and
- A program for the Broome County, New York, Industrial Development Agency which established a revolving loan fund for companies to undertake energy-saving measures.

In 1976 the Commission allocated funds to stimulate home building in energy-impacted areas of the Region. These funds have been used for housing projects in Kentucky, Virginia and West Virginia. The Kentucky project will provide housing on an abandoned strip mine bench. The Commission also undertook landmark studies that identified the coal-haul road problems of Appalachia and examined the impact of coal production on communities. The Commission has also investigated energy transportation needs related to the Region's rail and waterways system.

The effects of coal production have been the focus of several Coal Productivity Seminars sponsored by the Commission. These seminars dealt with such issues as housing, environmental impacts, health, manpower and training, and the role of government and the private sector. The results of these seminars are being used by the President's Coal Commission. The Commission has also begun a study of the impacts that power plant emission standards have on coal-producing and coal-consuming states.

The Commission's work in mine area restoration preceded the development of the Surface Mine Reclamation legislation. The Commission, in conjunction with the Office of Surface Mining, is currently developing a model plan to serve as a guide for Appalachia and the nation for developing state reclamation plans. The Commission has also undertaken a pioneering effort in the development of an evaluation system and computer model which attempts to measure the economic effects of alternative national and international policies on the Region as an energy supplier and consumer. Aspects of the model have been adapted in the Department of Energy's national assessments. The Commission is currently working with both state and federal agencies in the implementation of energy impact assistance programs.

The Commission has established an Energy Policy Guidance Council and is undertaking a vigorous advocacy effort within the federal government regarding the Region's energy commitments and problems.

Enterprise Development: Consistent with the concern for achieving better management of the Region's energy resources, the 1975 amendments broadened certain enterprise development authorities. The restrictions on using Commission funds for financing industrial facilities, supplying working capital or financing facilities for the generation, transmission or distribution of electricity or gas were modified and the Commission is now allowed to fund demonstrations directed at developing the Region's energy resources in the most efficient and effective manner.

This assistance has taken the form of projects that explore new energy production methods, new conservation techniques, new uses of coal and gas by-products, new methods to reduce the sulfur content of Appalachian coal, and grants for site acquisition and development of new energy-producing facilities.

Highways

One of the prime factors contributing to Appalachia's relative economic stagnation is its isolation. In the past, major national transportation arteries were built to bypass Appalachia rather than go through it despite its large population. What evolved in Appalachia was a system of narrow, winding roads following stream valleys and troughs between the mountains. This system profoundly discouraged commerce and industrial development -- slow speeds, long mileages due to the winding pattern, unsafe roads built to poor design standards, short-sight distances, and extremely high construction costs all contributed. With the exception of some communities located on major east-west routes, i.e., the National Pike and Lincoln Highway, most Appalachian communities were not able to compete for large employers because of poor access to national markets and communication so difficult that the size of available labor pools was severely limited by the transport system itself.

In response to these conditions, Congress in 1965 authorized construction of the Appalachian Development Highway System to connect major federal highway arteries and open areas of dense population ignored by interstate routes. The Act authorized "construction of an Appalachian Development Highway System serving the Appalachian Region which, in conjunction with the interstate system and other federal-aid highways in the Region, will provide a highway system which will open up an area or areas with a developmental potential where commerce and communication have been inhibited by lack of adequate access."

Construction of the Appalachian system, complementary to the interstate routes previously authorized by the Congress, is regarded by the Commission as the key to accelerated economic growth. The designated system encourages the location of new industrial and commercial enterprises in the Region and eases commutation from rural but heavily populated areas to jobs in major communities and cities.

When completed, the interstate highway system will be of great value to Appalachia. Its primary effect, however, will be to provide high speed through routes between large population centers outside the Region. When the interstate highway network was developed, the major routes through and in the Region -- I-70, I-40, I-81, and I-75 -- tended to follow the well established corridors and did not open up isolated, but heavily populated areas which had been historically bypassed. Moreover, except for the interstate system, allocation of federal-aid highway funds was not based on cost of construction, a factor which greatly discriminated against the Region where the cost of building a highway through the mountains was high and where usable and desirable land for right-of-way is at a premium.

While there is widespread evidence, in Appalachia and elsewhere, that building a highway alone will not by any means guarantee automatic economic and social growth to the towns and cities which lie in its path, good access to national markets is an essential prerequisite to growth. Highway and other transportation improvements must be accompanied, however, by concerted efforts to upgrade health, education, community services, and the quality of an area's environment.

For these reasons, a network of Appalachian development highways was recommended by the President's Appalachian Regional Commission in 1964. The system was to serve as a framework along which other investments in education, health, housing, and community development would be placed to provide maximum access for the people in surrounding areas. In some cases, existing alignments would be used; in others new highways would have to be constructed. But, in any event, the system was to be capable of carrying traffic at an average travel speed of 50 m.p.h. (see map in Appendix).

In discussing the longer-range development impact of the development highway program, it must be remembered that since the Appalachian and interstate highway systems were designed to complement each other, it is difficult to sort out the contribution of either partner alone and neither highway system has been completed. However, some early effects of the combined highway programs are already visible.

The major economic effects of the highway system deal with changes in employment and industrial growth. Between 1965 and 1977 total employment in the Region increased by over one million. Employment in manufacturing, contract construction, wholesale trade, and most services increased at a greater rate in Appalachia than in the U.S. as a whole. One important reason for the growth of employment in manufacturing was the large number of new plants locating in Appalachia since 1965. An ARC study has shown that more than three-fifths of all new industrial locations are within 20 minutes of a major new highway, and almost one-half were within 10 minutes travel time. In the coal region of southwestern Virginia, for example, a development complex is being developed on a site at Duffield adjoining the highway. Several new manufacturing plants have already located there. The construction boom stimulated by this and other Appalachian efforts generated a housing shortage in an area previously subject to severe outmigration. Construction of new housing is now a major priority along the highway.

Another major purpose of the Appalachian Development Highway System is to ease commuting and to provide the basis for developing new economies of scale for the delivery of social and governmental services. If rural people are to have the same quality of health and education opportunities as those living in urbanized areas, for example, these services must be provided over areas large enough in population and tax base to be able to support them. This can be accomplished only if people living in the areas to be served can reach the services within a reasonable period of time. An efficient transportation network is an essential underpinning of plans for improving social and other services in Appalachia.

The local development districts are an important ingredient in helping to plan these developments. In each of these districts a center, or centers, has been identified as the hub from which many specialized services can be provided in the future to the surrounding rural areas. In all but a few cases, these centers are strategically located on the Appalachian or interstate systems.

While the primary purpose of the development highway program is long-range development of the Region, it is important to remember the immediate effects of construction. The Federal Highway Administration has estimated that nationwide in 1973 each $100 million of federal-aid construction in highways generated an average of 3,500 direct and 3,500 indirect jobs -- 1,800 in the manufacturing sector, 1,300 in wholesale trades, transportation and service sectors and 400 in mining and other sectors. On this basis the Appalachian highway program would be generating between 8,000-10,000 direct and 8,000-10,000 indirect jobs in both 1979 and 1980.

Status of the Development Highway System

The Appalachian Development Highway System as currently approved by the Commission consists of about 3,450 miles, of which about 430 miles of highway on the system have been rated previously as "adequate"; construction assistance will be required on about 3,025 miles (see map in Appendix).

The Federal-Aid Highway Act of 1978 amended the Appalachian Highway Act to authorize a maximum of 3,025 miles, an increase of 125 miles (intended to include a new corridor from Birmingham, Alabama to Fulton, Mississippi, and providing additional mileage for the Georgia corridor), but with no change in the amounts authorized for appropriation. Prior to this action the most recent change was in the 1975 amendments when 200 miles were added primarily for highway corridors in the Mississippi-Alabama and South Carolina areas which are now included in the construction program.

In the 1969 amendments to the Act, it was noted that the cost estimates for completion of the system were increasing and that the authorizations would only provide the funds to construct approximately one-half of the nearly 2,600 miles then requiring construction. The 1971 amendments provided no additional mileage, but increased authorizations by about $890 million. The Commission recognized the effects of the cost increases and adopted in its early years a policy of 70 percent federal financing for the engineering, right-of-way and construction of two-lane highways while providing only 50 percent federal funds for four-lane construction. This policy helped stretch out the mileage that could be constructed with the funds authorized and appropriated.

The Federal-Aid Highway Act of 1978 amended the Appalachian Act in another important respect by authorizing an increase in the federal share on highway projects up to but not to exceed 80 percent, rather than the previous maximum of 70 percent. The Commission was initially authorized to provide a 70 percent federal share on all Appalachian highways. In 1974 after the Federal Highway Act was amended to provide for a 70 percent federal contribution to non-interstate highways, the Commission returned to the initial statutory limit to permit an up-to-70 percent federal share on all highway projects.

In these circumstances, the states and the Commission have developed priorities for highway construction activity within the next several years which will best meet regional and state priorities. Actual accomplishment of these priorities will depend on the ability of state highway departments to schedule engineering design, right-of-way acquisition, and to obtain necessary clearances relating to environmental impact and to relocation activities. It will also be affected by the extent of state gasoline tax collections which for the most part finance the states' share of the project costs.

The status of mileage as of September 30, 1978 is shown in the following table and in tables and maps in the Appendix. Some 1,464 miles are now completed, with an additional 236 miles under construction, so that 1,700 miles or 56 percent of the corridor system are under construction. By September 30, 1980, it is estimated that most of the miles now under construction will be completed, providing a total by that time of approximately 1,700 miles completed.

Status as of September 30, 1978

	Miles in Category	Cumulative Miles	Cumulative %	Miles Est. Sept. 1979	Miles Est. Sept. 1980
Construction completed	1,463.8	1,463.8	48	1,580.0	1.700.0
Construction underway	236.3	1,700.0	56	1,810.0	1,915.0
ROW in process	274.7	1,974.8	65	2,085.0	2,160.0
Design begun	258.3	2,233.1	74	2,300.0	2,400.0
Location studies begun	656.8	2,889.9	96	3,025.0	3,025.0
Authorization limit	136.1	3,025.0		-	-

It is presently estimated that at 1976 prices the federal share of construction of approximately 1,200 miles currently authorized for construction would require about $3,630 million at a federal financing share of 80 percent. Of this amount there is currently authorized for appropriation to the corridor system about $577 million through 1981. Assuming appropriation of the 1980 budget request and the $170 million authorized for FY 1981 there would be an excess of costs over authorizations on the previously designated 2,900-mile system of nearly $3,050 million. Costs on the additional 125 miles recently authorized are estimated at $250 to $325 million. More specific cost estimates can be prepared only when the necessary route location studies are completed. The Administration has endorsed continuation of the highway program for an additional four years through 1985.

Within the authorizations provided by Congress, the Commission acts to provide planning allocations to each state in both the development highway and access roads programs in advance of the appropriation. With this advance notice of the approximate amount of funds which will be available, states are better able to plan their future construction needs and to initiate at an earlier time the design work and right-of-way acquisition necessary before construction can begin. The following table summarizes the allocations of authorizations by the major highway subprograms, dependent upon the receipt of appropriations. These funds are further allocated among the states by fiscal year, but can be adjusted among states so that unused allocations may be utilized by another state which is ready to proceed with construction. The Commission's highway allocation procedure provides incentives for states to more rapidly commit their highway funds. Under this procedure as much as 30 percent of a lagging state's annual allocation can be transferred to others who are in a position to commit those funds on their portion of the Appalachian highway system. This aids in assuring continued progress in getting various portions of the system underway.

	(millions of dollars) Thru 1978	Thru 1979	Thru 1980
Total Authorized*	$2,160.0	$2,460.0	$2,760.0
Allocations by Program:*			
Development Highways	1,977.6	2,185.7	2,392.7
Access Roads	118.7	140.7	155.7
Administration and Special Planning	14.7	17.6	19.6
Allocations not appropriated	49.0	116.0	192.0

* Additional information is contained in the Appendix.

The 1975 Appalachian Act amendments have had several significant effects. First, the new Appalachian contract authority complies with the Congressional Budget Act and is good only to the extent provided in appropriation acts. Secondly, the authorizations need not be apportioned among states until October 1, or the beginning of the fiscal year. However, to provide advance notice to the states on probable funds that will be available to them, the Commission approved a system of allocation with the following major principles:

- o The Commission has made, for long-range planning purposes, an allocation of funds authorized through 1981 broken down by fiscal year, and makes annual planning allocations based on the budget six months prior to the beginning of each fiscal year.
- o Based upon actual appropriations, ARC issues final allocations at the beginning of each fiscal year. Each state's final allocation consists of two portions: a base allocation consisting of 70 percent of the total; and a supplemental allocation consisting of the remaining 30 percent.
- o To assure continued progress on the highway system, states able to utilize more than their total allocation are permitted to do so if other states are not able to use more than their base allocation.

In 1978, which was the second year of operation, this system continued to encourage a faster pace of contruction among most of the states, with nearly $57 million of highway construction prefinanced in addition to $211 million obligated.

Highway programs generally measure their accomplishments in terms of miles completed or placed under construction. In these terms, the program has placed under construction 1,700 of the 3,025 miles authorized for the development corridor, with an estimated 1,810 miles placed under construction through FY 1979. The budget request for 1980 is expected to add an additional 105 miles placed under construction. As with many other programs, the highway program finds that the number of miles constructed for a given number of dollars has decreased sharply in the last several years. Miles constructed, however, does not really measure the impact of the development highway system as its increasing completion opens the Region for development and improves the condition of its inhabitants.

The above funds will finance a program which, by September 30, 1980, should result in a total of 1,915 development highway miles and 780 access road miles either contracted for construction or already completed. Adding the additional mileage for which engineering design or right-of-way acquisition will have been obligated, there will be by the close of 1980 a total of an estimated 2,400 development highway miles and 840 access road miles with obligation commitments.

Access Road Program

Unlike the development highway system, the access road program is designed to supply access to specific sites. An access road is normally a short road or bridge, often less than one or two miles in length, which provides essential access to an industrial site or park, a regionally-important recreation area, a school, a commercially important timber production area, or other important facility such as an airport or hospital. They are normally two-lane roads with federal assistance of up to 70 percent of total cost. New legislation now permits federal assistance up to 80 percent.

Through September 30, 1978, 327 projects requiring $140 million of federal assistance had been approved, of which $115 million was obligated for construction. Some 579 miles of access road projects were completed, and an additional 101 miles were underway. Allocations are shown in the following table and additional information is contained in the Appendix. Included in these amounts are development access road funds which may be allocated to the access road program from the development highway system. To date, about $21.6 million of an authorized amount of $36 million in additional access road allocations has been provided the states.

Access Roads

(thousands of dollars)

	1978 Actual	Thru 1979 Estimate	Thru 1980 Estimate
Funds Allocated	$154,823	$162,823	$162,823
Approved Projects	139,741	155,000	162,823
Obligated Projects	114,666	138,200	153,200
Annual Obligations	18,869	23,534	15,000

Special Highway Planning

An amount of $6,643,000 will have been allocated through FY 1980 primarily for special state planning projects related to highway and corridor utilization. The Commission has since 1972 allocated among the states an annual amount of approximately $1 million for use in extending highway planning to accommodate and stimulate concentrated development projects at varying locations along the development corridors and other major highways to realize the highways' greatest potential for development and protect the highway investment.

Both Pennsylvania and Alabama have prepared evaluations of prior site identification and design work. In Alabama it was found that out of 50 sites for which design work had been prepared, 21 were in some state of development and that on 11 of these 21 sites new industries had located. Site preparation and utility installation work had begun on the remaining sites. Average size of developed sites was 340 acres, and total employment at sites with new industries was approximately 1,900 jobs. All of these developed industrial sites were located within recognized growth areas of Appalachian Alabama. In some instances, the ARC-studies sites were bypassed by developers for alternatives in the vicinity suggesting the need to identify several sites within a given area.

In Cambria County, Pennsylvania a plan was developed for two industrial sites totaling 148 acres. Thirty-five acres was occupied by a culm pile that had accumulated from 50 years of deep mining. As part of the plan 50 percent of the culm pile was salvaged as marketable coal by a private firm and the remainder was used in the construction of embankments for U.S. 219. The sites have access by highway and rail and another ARC grant helped construct sewage treatment facilities available to the sites. Within one mile of the site is a vocational-technical school built with ARC funds that could provide on-the-job training for employees of industries locating on these sites. Development of the sites should be completed in 1980.

Alabama has updated the U.S.G.S. mineral resources maps and related technical reports, with special emphasis on coal resources, for five counties. A related mapping project located and measured the water facilities infrastructure of 21 Alabama counties. Together, these two mapping efforts will assist state planners to anticipate future coal haul roadway use and help identify infrastructure development "bottlenecks" along Alabama's highways and waterways.

Community Services and Enterprise Development

The quality of Appalachian communities is determined in part by the economic development that occurs in the Region. However, those same community qualities play an important role in attracting and influencing economic development. It is necessary to create a high quality living environment for the people through the provision of community facilities, business assistance, housing and transportation to bring this reciprocal relationship into play. Environmental improvement through water and waste treatment facilities is as much an element in a community development program as in a natural resources program. New facilities for human services delivery make for better communities and individual well-being. And all contribute to improving the overall setting so that Appalachia becomes a more desirable place to live, work and invest.

Community Development and Housing Program

The extent to which economic development may occur in Appalachia depends in large measure upon the basic services Appalachian communities can offer -- clean water, good sanitation, decent housing and recreation opportunities. The Region, however, is sadly deficient in these services, and the overall need is staggering -- one 1974 estimate placed it at $7 billion, or $387 per capita. Half of this figure is for sewage facilities alone. The cost of replacing more than 231,000 "beyond repair" housing units is not even included in the estimate.

Residents of the Region have rising expectations about the quality of services to which they are entitled. Many have migrated back into the area because of expanded job opportunities and have experienced the amenities available in metropolitan areas in other parts of the country. Understandably, they feel they should not have to accept inadequate housing, the lack of sanitary sewers and safe drinking water or the environmental abuses their land has suffered in the past. Housing and community development programs must satisfy these basic needs if rural areas are to accommodate growth and change.

Program History

ARC's community development program is designed around three objectives:

- increasing the capabilities of local growth areas to offer the services necessary to attract new private investment and to stimulate new local enterprise
- continuing to supply the basic community facilities needed by the Appalachian population, both inside and outside the growth areas, with the ultimate objective of thereby increasing economic well-being and productivity
- making the most effective use of public expenditures investments in the Region in order to lay the groundwork for subsequent private investment in the Region.

Three techniques have proved useful in working toward these objectives: leverage, concentration and innovation.

Leverage means funding projects that attract financing from other federal, state, local and private sources for each ARC dollar contributed. For example, in 1978 a community

Community Development and Housing

FY1966-1978
(Millions of Dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Project Summary 1,313 Projects	$ 270	$ 639	$ 62	$ 434	$ 1,404	$1,632
• Water System 338 Projects	89	125	9	169	393	435
• Sewage System 382 Projects	81	436	39	194	750	908
• Housing* 224 Projects	25	9	3	4	41	41
• Water and Sewer 72 Projects	19	26	1	28	74	90
• Recreation 118 Projects	18	25	8	9	60	65
• Solid Waste 85 Projects	17	0.4	0.04	12	29	30
• Industrial Site Dev. 44 Projects	11	10	1	10	32	34
• Community Improvement 50 Projects	9	7	1	8	24	28

*Includes 132 loans assisting development of 6,000 dwelling units; 55 site development grants for 2,759 units; 6 special projects for 1,000 units in areas impacted by energy production; and miscellaneous technical assistance and supplemental grants to stimulate housing production in the Region for 541 units.

development dollar invested by ARC attracted $7.80 in additional funding from other sources. Without the stimulus of the ARC funds, the other much larger amounts of money might not have been available to the Region.

The legislation establishing ARC required geographical concentration of investments, so that a payoff in terms of economic development would be likely. In most instances, ARC facilities grants are directed to areas having a significant potential for future growth or to projects that will directly serve such an area. Health and education services are not limited so specifically to growth areas but are provided to concentrations of people, wherever located, if providing services in this way is more efficient.

In some areas, innovation -- the demonstration of a new, untried approach -- may be the predominant technique. If successful, demonstration programs may be spun off to other federal or state agencies for permanent administration, or may be duplicated elsewhere in the Region. As an example, the Commission helped establish state housing finance agencies in nearly all the Appalachian states. These agencies are now operating with their own financing mechanisms and resources to provide low- and moderate-income housing.

However, significant problems need to be overcome before the Region can attain a balanced urban-rural growth, bring the quality of life in its rural areas up to an acceptable level and attract and absorb new economic development. The major problems are:

- limited developable land
- limited capital for housing and industry
- inadequate federal programs for rural and small communities
- huge sewer and water deficiencies
- the impact of energy development on sections of the Region
- a need for efficient management of community development.

The Commission has a broad range of assistance programs for community development. Section 214 supplemental and basic grant assistance provide up to 80 percent of eligible project costs and are available for water and sewer systems, site development activities serving nonprofit industrial parks which will provide local employment opportunities, and for community amenities, such as libraries, community centers and parks. Grants provided through Section 302 to the local development districts, and through Section 207 to state housing agencies, provide assistance in planning, program development and management, as well as technical expertise which is otherwise not available to local jurisdictions. Under Section 207 authority, housing assistance plans can be formulated, nonprofit housing sponsors developed, projects planned and site development assistance provided for federal or state-assisted low- and moderate-income housing.

Special demonstration programs, using Section 302 authority, have been used to develop housing for miners in the Appalachian coal fields, to demonstrate multijurisdictional approaches to common development problems (e.g., the mitigation of recurring flood hazards in Central Appalachia), and to advance new concepts in regional development. The Section 201 authority provides local access roads to industrial, commercial, residential, recreational, or educational complexes.

These programs are complemented by other Commission authorities, such as the Appalachian Development Highway Program, Section 202 primary care facilities, Section 211 vocational and education programs, and demonstration assistance in rural transportation and enterprise development.

In the first five years, the program was largely directed to infrastructure catch-up. Supplemental assistance was provided to communities with low tax bases that could not provide matching funds required to participate in federal grant-in-aid programs. These early grants generally served a dual purpose -- they alleviated a critical deficiency (hospital beds, vocational facilities), and they gave physical credence to the potential for change in the community.

Gradually the need for construction of education and health facilities subsided, and the Commission's human resource programs were able to focus on delivery of services, freeing Section 214 grants funds for infrastructure directed toward new growth and development. Greater emphasis began to be placed on the development process, and on projects and programs related to industrial and commercial growth, such as industrial park development, water and sewer.

With the amendments of 1971 (P.L. 92-65), the Commission was authorized to provide special basic grants in addition to supplemental grants when there was insufficient money under regular federal grant-in-aid programs to permit full funding of projects.

During the 1965-1975 period the Commission also worked to develop some new concepts in housing and community development, and to further interagency cooperation and coordination.

The quality and availability of housing throughout the Region was an evident problem; although one of every four Appalachian families lived in a house classified as substandard, limited use was being made of existing federal programs. The Commission requested and received from Congress authorization to make loans and grants to qualified nonprofit sponsors to cover the costs of initiating low- and moderate-income housing projects under Section 221 of the National Housing Act. The program was designed to meet two critical problems -- the shortage of capital to initiate projects, and the lack of technical competence to get such projects organized. Later in this decade, the program was broadened to include other HUD financing vehicles, to provide technical assistance resources in housing, and to permit site development grants to reduce excessive costs experienced because of Appalachia's rugged terrain.

Commission staff technical assistance, as well as research funds, were used to assist in the design and organization of state housing corporations which, in addition to stimulating the HUD financed projects, could provide assistance in obtaining financing for a wide variety of housing, including generation of private mortgage funds. By 1975, 11 of the 13 Appalachian states had such housing corporations.

The 1975-1978 Focus

Since 1975 the community development program has aimed at providing a broad but flexible range of community facilities to meet the basic needs of local areas so they may become attractive both to their residents and to economic development interests.

The program has focused on three types of areas in the Region:

- Communities in the Appalachian coal fields where mining is bringing increases in employment and population. Many of these communities cannot provide adequate, basic community facilities and housing.
- Rural communities which, because of their remoteness, lack the technical or financial resources to improve their standard of living without assistance.
- Areas undergoing fundamental changes in their local economies and population patterns. These include: older urban settlements experiencing job losses; areas where new settlement patterns make it necessary to find cost-effective ways to design and deliver public services; and rapidly growing small communities.

To help these communities the Commission emphasized assistance in six areas where the needs are great and the payoff for economic development greatest. These high priority areas were housing, sewerage, water, solid waste disposal, parks and recreation, and industrial site development. The 1975 legislative amendments were especially important in providing the Commission with authority for dealing with these needs.

Amendments to Section 214 permitted for the first time ARC participation with EDA Title I and IX authorities, broadened eligible activities to include land development and community or economic development or economic adjustment activities, and made clear that eligible programs included Title I of the Housing and Community Development Act and the Consolidated Farm and Rural Development Act.

The amendments were implemented by bringing a program focus to community development in the Commission's planning and budgeting for Appalachian development. Community development became a regular Commission program area and was reflected in the Commission's staffing structure, budget, and the Appalachian states' plans and investment programs. Activities that are now grouped under the broad heading of community development include: housing, water systems, sewer systems, recreation facilities, some airport development projects, industrial site development projects -- which can include site preparation, water and sewer improvements and occasionally rail spurs -- and other types of community facilities such as libraries, civic centers, neighborhood facilities, downtown revitalization projects, and solid waste disposal. In addition, the Commission implemented Code provisions for enterprise development to stimulate the creation of new job opportunities.

Industrial site development is now the third largest investment area in the Commission's community development grant program because of the ability of the Commission to participate jointly with EDA, HUD and FmHA on projects. The major investments in industrial site development reflect a conscious effort by the states to attract new private enterprises, stimulate local enterprise, service expanded levels of economic activity and diversification, and lay the groundwork for private investments in the pay-dirt stages of economic development in the Region.

New provisions in Section 302 directed the Commission to give special attention to demonstrations in energy impacted areas for enterprise development, and to examine physical hazards which constrain land use in the Region. As a result, the Commission was able to directly provide substantial technical assistance to the flood recovery efforts in Central Appalachia after the April 1977 flood, and in Pennsylvania and North Carolina following floods in the late summer and fall of 1977.

The 1975 amendments have also had a major impact on the Commission's housing program. Previously, the Project Planning Loan and Site Development Grant portions of the program were restricted to use exclusively with HUD's Section 221, 235, and 236 programs. However, as a result of the amendments, any federal or state low- and moderate-income housing program has become eligible for assistance under the Project Planning Loan and Site Development Grant portions of the housing program. This means that HUD Sections 8, 221, 235, 202, and Title I; FmHA Sections 502, 504, and 515 programs; and all state low- and moderate-income housing programs can be used with ARC funding. ARC's complementing of FmHA housing programs in the rural portions of the Region and HUD housing programs in urban areas with Section 207 funds has led to a dramatic increase in housing production.

The amendments also produced a major change in program administration. Previously, the Project Planning Loan and Site Development Grant portions of the Section 207 program had been administered by HUD. The amendments gave the Commission authority to make direct grants to the states for conduct of an Appalachian Housing Program. As of September 30, 1978, ten states have created and administered Section 207 housing programs with funding from their share of the Area Development Allocation. Under state administration the housing program operates in the followng manner. A state housing agency such as a Housing Finance Agency or a Department of Community Affairs is selected by the governor to serve as the state implementing agency. This state housing agency, with technical assistance from the Commission staff, develops administrative procedures and policies that are compiled in an Administrative Procedures Manual which is approved by the Commission. The Appalachian housing program operates in each state in accordance with that state's manual.

Therefore, neither HUD nor any other federal agency now directly administers the Section 207 program. The results have been dramatic. Prior to 1975, $9.9 million dollars was invested by the Appalachian states in Section 207 projects. During this period, when HUD administered the program, in no fiscal year did the states exhaust appropriated and available Section 207 funds. But since 1975 through September 30, 1978 the states have invested a total of $14.9 million in Section 207 program activities exceeding in four years the entire ARC housing effort before 1975.

To attract early state involvement following the passage of the 1975 amendments, the Commission provided grants of recovered funds from other programs to states interested in capitalizing on the Appalachian housing programs. Concurrent with this early enlistment of Section 207 interest, the Commission initiated a competitive program of housing and community development projects in areas experiencing impacts due to energy production. This energy/housing program enhanced state interest and involvement in Section 207 housing.

Since 1975, ARC annual investments in housing and community facilities have increased dramatically -- from $36.2 million in 1975 to $51.8 million in FY 1978. Also, the distribution of investments within functional areas has significantly shifted.

- Water and sewer investments consistently have been the largest category of improvements, using 68 percent of grants awarded in FY 1975 and 60 percent in FY 1978. The heavy investments in water and sewer systems reflect the tremendous needs in the Region -- as defined in the 1974 needs analysis which estimated that $7 billion in improvements were necessary to correct deficiencies in communities and provide the Region with capacity for new economic development. Heavy investments also are indicative of ARC's joint grant participation with the Environmental Protection Agency, the Farmers' Home Administration and HUD in their programs of pollution abatement, rural development, and community development.

- Industrial site development now is the third largest investment area in the Commission's community development program. Grants made in FY 1978 represent over 10 percent of investments. Industrial site development's role as a major functional area is attributable to the ability of the Commission to participate jointly with EDA, HUD and the Farmers' Home Administration on projects using both supplemental and special grant authority.

- Investments in other areas -- parks and recreation, libraries, solid waste collection and disposal, and community improvement -- have remained fairly constant. ARC grant participation with FAA on airport development has dropped because changes in the ADAP program authorized 90 percent grants on projects, and ARC grant participation is limited to 80 percent from all federal sources.

- Housing came from a relatively insignificant status to become the second largest investment area. ARC grants to housing now comprise 15.6 percent ($7.9 million) of housing and community development grants awarded compared to 1975 when grants were only 3.9 percent ($1.4 million) of the total. The increased activity in housing reflects not only the need in the Region to correct existing deficiencies and to build new units in areas experiencing inmigration, but also the ability of the Commission and states to use the new flexible housing legislation provided by the 1975 amendments to the ARDA.

Under the Commission's housing program, site development grants and planning loans have been used to assist construction of 8,400 homes. Other types of grants have resulted in the construction or repair of an additional 1,900 homes.

The Commission approved a total of 108 Section 207 housing projects during the period of January 1, 1976 through Septemer 30, 1978, consisting of 21 Project Planning Loans for 1,304 housing units, 45 Site Development Grants to produce 1,808 housing units, and 42 Technical Assistance Grants. These housing units were distributed across various HUD and FmHA program authorities as follows:

Section 207 Assisted Housing Units
January 1, 1976 - September 30, 1978

Federal Authority	Number of Housing Units	
HUD Section 8 Rental	496	
HUD Section 202/8 Rental	462	
HUD Section 203(b) Sales	220	
HUD Section 221(d)(2) Sales	12	
HUD Section 221(d)(3) Rental	232	
HUD Section 211(d)(4) Rental	50	
HUD Title I (CDBG) Repairs	169	
Subtotal		1,641
FmHA Section 502 Sales	238	
FmHA Section 504 Repairs	484	
FmHA Section 515 Rental	749*	
Subtotal		1,471
TOTAL		3,112

* Includes 178 units also receiving HUD Section 8 subsidies, and 40 units also assisted with CETA funds.

In addition to its Section 207 generated housing the Commission, in the same reporting period, approved funding for over 1,000 housing units in energy impacted areas under its Section 302 authority. These projects were specially designed to (a) mobilize complementary assistance from the private and public sectors, (b) produce early results worthy of duplication, and (c) address unique terrain, building design and financing characteristics of Appalachian energy production areas.

Also, under the Title X Job Opportunities of the Economic Development Administration the Commission administered two housing-related grants which have resulted in construction and repairs of 1,700 housing units.

A less tangible but perhaps more important result over the last period of Section 207 authorization has been the Commission's efforts to develop and maintain a flexible housing program at the state level characterized by a minimum of administrative procedures. Specifically, this flexibility includes the following:

- The Commission, through Code provisions, has eliminated application deadlines for specific projects;
- The Commission purposely avoided the imposition of a regionwide operations manual recognizing the diversity in housing institutions and strategies across our 13 states; and
- The range of eligible housing programs in which Section 207 can participate is purposely held broad enough to include all housing programs characterized by state and federal assistance.

Appalachian housing flexibility was further supported by the availability of complementary ARC funding authorities for requesting housing activities not accommodated under Section 207. For example, one state has identified a pronounced need for a land acquisition and development loan program to undertake the difficult development of single and multi-family offsite extension of utilities prior to closing a construction loan for the housing units. Site work on difficult terrain is both costly and time consuming. Therefore, it is often advantageous to separate the financing for sites from the housing construction financing resulting in an overall interest savings and more opportunities for smaller builder/developers. The Commission responded to this need by creating and funding a program under Section 302 authority. In turn, this new program provides an additional funding vehicle for use in tandem with Section 207 should a specific project require further assistance.

Recent program activities in Appalachian Kentucky illustrate the total planning and implementation approach the Commission's housing and community development program has striven for since 1975.

In 1976 Kentucky amended its state Appalachian plan to create a new development strategy calling for a gradual shift from the Commonwealth's traditional emphasis on human resource development to increased investments in housing, industrial sites, water and sewer, flood control, and health. The basis for these changes was what the Commonwealth called an "enterprise development strategy" for eastern Kentucky. This strategy stressed physical infrastructure investments to promote and support expanded private jobs and capital enlargement efforts.

A general goal called for the economic development of eastern Kentucky through the expansion and diversificaiton of private and long-term employment opportunities of a quality and quantity capable of moving regional residents into a position of socioeconomic parity with the rest of the state's citizens. To achieve this goal, Kentucky focused on a strategy that involved putting in place the sites required for employment expansion and the community infrastructure needed to make the Region more habitable for present and future residents.

Since the formulation of Kentucky's development strategy, the investment of ARC funds has conformed with Kentucky's policy shift. Several major projects illustrate the change: (1) the Kentucky Appalachian Housing Program, (2) Housing Demonstrations in Energy Impacted Areas, (3) the Douglas Site, (4) Regional Industrial Parks, and (5) Technical Assistance and Research Studies.

Kentucky Appalachian Housing Program. In 1977 the Commonwealth developed and funded, using Section 207 program authority, an Appalachian housing program for eastern Kentucky. The Kentucky Housing Corporation (KHC) was designated as the implementing body. The state provided $1.5 million of its total ARC allocation for FY 1977 to capitalize the new program -- the largest sum allocated to this program in any Appalachian state. This was followed by a $2.0 million allocation in FY 1978.

The program in Kentucky consists of four elements, the first of which is the creation of nine regional nonprofit housing corporations, one in each of the state's Appalachian development districts. The housing corporations provide technical assistance to groups and individuals that want to produce low- and moderate-income housing. The second element of the program provides planning loans covering 80 percent of preconstruction expenses associated with the production or rehabilitation of low- and moderate-income housing (e.g., the cost of land options, market analyses, consultant fees, preliminary architecture and engineering, and construction loan financing fees). The third element entails onsite and offsite grants which can be used to cover many of the site development costs related to the construction, such as excavation, cutting and filling, removal of debris, water and sewerage, construction of curbs and storm drains. These grants can be made for up to 10 percent of the total housing project's cost. Both the project planning loans and site development grants tend to make possible construction of housing projects which local sponsors could not afford without this seed money. They attract HUD and FmHA financing and thereby generate much more housing construction than could be afforded using ARC funds alone. The project planning loans have a further multiplier effect because the loan fund is a revolving one. As loans are repaid to KHC, they will become available again for use in other projects.

The Kentucky housing program uses Section 302B and Section 207 authority to finance its fourth program element -- a direct construction loan program. When a nonprofit or other eligible housing sponsor decides to build a project, it makes an arrangement with a builder to construct. The builder must find the money to do the actual building. This short-term construction loan is repaid when the construction is finished and long-term or permanent financing is arranged with either HUD, FmHA, the state housing agency, or private sources. In rural areas it often is difficult for a builder to find the money for a construction loan. To meet this need, Kentucky established a construction loan program funded initially with $230,000 of its ARC allocation. This money is available for use in connection with KHC-financed or federally-financed low- and moderate-income housing projects.

Housing Demonstrations in Energy Impacted Areas. In 1976 the Commission created a special $2.3 million fund to stimulate the production of housing in energy producing areas of the Region. These areas faced acute housing shortages because of inmigration and a lack of decent, affordable housing. Kentucky responded to the Commission effort with three projects: a demonstration project to build housing on an abandoned strip mine bench in Jenkins, Kentucky; a community development plan for the town of David; and a planning loan to build a major housing project near Harlan, Kentucky. The David project is particularly interesting because David is entirely owned by the people who live there.

David was founded in the early 1940s as a model "company town" built by the Princess Elkhorn Coal Company. However, in the 1960s layoffs began to occur and by 1968 operations at the Princess Elkhorn were discontinued and the mine closed. Between 1968 and 1974 the town experienced a steady decline, changing from a model community to a depressed area.

In 1972 a group of David citizens explored buying the town from its owner, a land development company which had purchased it from the coal company. On May 14, 1975 the deed was transferred to the David Community Development Corporation, a nonprofit organization comprised and run by David's residents. Subsequently the Commission provided a $43,500 demonstration grant to the town of David to prepare a community development plan.

The community development plan, whose preparation was directed entirely by the David Community Development Corporation, provides a detailed program for community improvement. The plan was successfully completed in 12 months and is being implemented. A water system financed jointly by ARC and HUD was completed in 1977.

A sewer system funded by ARC and the Farmers' Home Administration also is completed. A 28-home subdivision is under construction in Schoolhouse Hollow using an ARC Section 207 site development grant. It is the first FHA insured subdivision in eastern Kentucky.

The Douglas Site (Pike County Coal Gasification Project). The Douglas project illustrates the Commonwealth's ability to seize on an opportunity to develop a waste area into a planned unit development by integrating Commission community development programs. The Douglas site was the area used to deposit dirt, rocks, and debris from Appalachian highway construction. The disposal created 68 acres of developable land in an area characterized by steep, rugged topography and limited flat, flood-free land.

The Pike County Fiscal Court prepared a development plan that included construction of a low-BTU coal gasifier system to produce at least 5 x 10^9 BTU/day from the conversion of coal to natural gas. The energy produced will support an industrial park, containing 18 sites, a 232 unit housing project, and such facilities as a fire station and shopping center. ARC support for the project included Section 302 funds for the gasifier and Section 207 funds for the development of a housing site. The U.S. Department of Energy has committed $2.9 million to the construction and operation of the gasifier and an additional $2.0 million for a gas cleanup system which will allow a portion of the gas to be used by industrial customers locating on the Douglas site.

Corbin Regional Industrial Parks. The Corbin Tri-County Regional Industrial Park project is a good example of how the Commonwealth has been able to package Commission programs into an interrelated set of activities to achieve a community development objective and implement its enterprise development strategy.

The project will develop a 600-acre industrial park located two miles southeast of Corbin in Knox County, Kentucky. It will provide 20 industrial sites, ranging in size from 5 acres to 35 acres, with the capability of attracting industrial firms employing between 5,000 and 7,000 people over a 10-year period. The project will help diversify the coal based economies of towns in the Cumberland Valley area which have all been actively involved in sponsoring the planning and development of the industrial park.

ARC participation included Section 302 assistance with the Kentucky Industrial Development and Financing Authority for preliminary planning and feasibility studies; financing onsite and offsite water and sewers by using ARC Section 214 funds with EDA Title I and 304 funds; financing an access road with Section 201B funds; and, expanding the Corbin wastewater treatment plant's capacity using 214 funds with EPA.

Technical Assistance and Research Studies. To come to grips with special development problems, and improve the management and administration of development programs, Kentucky has pursued several special projects in eastern Kentucky. These projects were developed with direct technical assistance provided by the Commission's community development staff and received financial assistance using a variety of Commission programs -- Section 302, 207, and 201A-11.

- A study of the HUD minimum property standards will be completed in early 1979. It will focus on the standards and their administration by HUD and the Farmers' Home Administration. The complexity of the Minimum Property Standards (MPS), their orientation to urban and flat land areas, procedural delays, their interpretation by HUD field staff, and other administration procedures effectively have shut off the HUD financing of single family subdivisions in Appalachian Kentucky. The study will be a first step in documenting eastern Kentucky builders' problems with the MPS, and overcoming this obstacle to providing an adequate supply of decent housing.

- The lack of buildable land has constrained housing and community development for some time. The HEAD Corporation, a nonprofit organization based in Berea, Kentucky, is studying the possibility of creating a land bank for the Region. The bank would finance, acquire, hold and release land for community development.

- With ARC assistance, the Kentucky Mountain Homes nonprofit organization received special HUD demonstration funds to construct three solar attic houses in Jackson and Pulaski counties. ARC provided funds to furnish a full set of house plans, materials, and specification list, and construction manual.

- Some nonprofit housing organizations have been having production problems with their projects. With ARC technical assistance, the Kentucky Development Cabinet developed and conducted a survey of all housing sponsors operating in eastern Kentucky. The survey is designed to determine the level of production now occurring, the problems housing sponsors are encountering, and their technical assistance needs.

In conclusion, Kentucky's initiatives in enterprise development between 1975 and 1978 illustrate how a state can seize the opportunities provided by the Commission's community development program to plan and implement development strategies. This wide ranging package of programs for research, technical assistance, planning, housing and community facilities is available to every Appalachian state.

Housing Issues

Principal among the housing issues currently affecting the Appalachian Region is the acute housing demand in coal-producing areas. There is a very strong correlation in Central Appalachia between high coal production, high percentage of deficient housing units and high population growth areas. The Commission estimates that by 1980 the total population in the Appalachian Region will increase to 19.8 million inhabitants or 8 percent net growth over the 1970 Census count of 18.2 million. However, looking at the coal producing subregions we find projected population growth rates far in excess of this regional increase. For example, the Big Sandy Area Development District in Kentucky (which contains Pike County, the top coal producing county in eastern Kentucky) is expected to register a 21.4 percent increase in population by 1980, 13.2 percent of which should be attributed to net migration. At the same time the Big Sandy Area recorded 43.2 percent of their total existing housing stock deficient in the 1970 Census.

An observer of these housing demand trends could conclude that the coal field areas are fertile for an imminent residential construction boom -- this is not so. The expected construction industry response to the coal field housing market is blocked by a series of interrelated factors characteristic of Central Appalachia:

- Scarcity of adequate building sites;
- Extreme cost of site and offsite preparation;
- Scarcity of large-scale builders;
- Excessive federal standards and regulations for site development and housing unit construction;
- Mortgage credit shortage.

The Commission is currently legally unable to remove most of these obstacles within the limits of the Appalachian housing program.

Scarcity of Adequate Building Sites: Central Appalachia's 32,000 square miles is not a buyer's market of low-priced real estate. The rugged, mountainous terrain prevalent in the area leaves few accessible building sites. Building sites for permanent housing are sold at premium prices and often must compete with industrial and commercial use. Consequently, when a buildable tract of land is offered for sale the landowner need not advertise far and wide, grant options, or provide the other accommodations typically offered a prospective buyer in rural areas. Arms-length land transactions in Central Appalachia are usually firm offers quickly consummated. This setting, then, is not conducive to the normal operation of existing federal programs providing funds for site acquisition. Land optioning requirements and processing and valuation procedures are slow and Central Appalachia has few builder/developers with sufficient personal funds to purchase sizable land tracts. Our Section 207 program does not currently permit land purchase as an eligible item in assisting public bodies, nonprofit corporations and limited dividend organizations with the development of low- and moderate-income housing.

The Commission's current effort to assist in site acquisition for the development of low- and moderate-income housing in Central Appalachia is by necessity limited to demonstration projects. We have concluded, from our site acquisition experience under Section 302 demonstration authority, that it is entirely possible to purchase a needed residential building site expeditiously without paying in excess of fair market value or taking title to undevelopable land. For example, in Macon County, Tennessee, ARC provided a Section 302 site acquisition grant of $158,000 to purchase a 268-acre site for 300 housing units. This is lower than the price for comparable property in the area. Another demonstration project is a feasibility study of land banking in Central Appalachia to try to find some reliable way of securing sites.

In most Section 302-funded housing projects in Central Appalachia, site purchase was identified by Commission and state staff as the most critical element to project success. Therefore, due to the pervasive and recurring nature of the problem, we believe it critical to secure legislative authority to purchase sites under the normal operations of the Section 207 Appalachian housing program.

Extreme Cost of Site/Offsite Preparation: Central Appalachia is running out of building sites in close proximity to state roads and public water and sewer. In most cases the only available sites are over the hill and away from the already developed river valleys. It is expensive to reach these sites with streets, sewer and water.

Recent construction costs in Central Appalachia show that under reasonable grade conditions (up to 20 percent) it would cost $386,240 to extend a 20-foot access road, 8-inch sewer line and 8-inch water line for one mile to an average 60 housing unit development. If, in this situation, the housing development is a sales type subdivision of average $35,000 FmHA single family detached homes, development cost alone would equal 18 percent of the total subdivision costs. On the other hand, an elderly rental project of $26,000 units would place the offsite construction costs at 25 percent of the total project cost. More difficult grades and close-to-surface rock would, of course, increase these costs appreciably.

These are precisely the conditions that are currently obstructing residential development in coal producing areas, and they are the situations which Section 207 at its current 10 percent restriction is powerless to alleviate.

The Commission has assisted a number of residential developments on difficult terrain sites primarily under Section 302 demonstration authority, with assistance higher than the current 10 percent limit of Section 207. We have created a low interest site development loan program in Kentucky and funded a deferred payment site development program in West Virginia, both under Section 302 authority. The scarcity of accessible building sites for largescale residential developments dictates the undertaking of these difficult terrain projects in Central Appalachia. Not to do so would encourage (1) the continued dispersion of new houses and mobile homes on very small sites resulting in high per unit service costs for public utilities, and (2) long commuting distances from urban communities to mining-related work sites.

Current Section 207 authority limits the amount of site and offsite grant assistance to 10 percent of the total project cost. A removal of this 10 percent limit would make Section 207 considerably more responsive to those critically needed residential developments in Appalachia not currently being undertaken due to difficult access and terrain.

In administering the proposed amended Section 207 program, the Commission would continue to employ where needed the safeguards of bonding liens, title insurance and recorded covenants to assure the ultimate use of funds for low- and moderate-income housing with subsidies benefiting the housing occupant.

Scarcity of Large-Scale Builders: The residential construction industry is weak in energy-producing areas due to years of contraction in the economy when coal production was down and outmigration was high. The lack of large-scale housing contractors was singled out in Governor Rockefeller's publication of "A Housing Strategy for West Virginia" as a major development constraint.

It is difficult to isolate one or even a few key building incentives that would result in local construction industry growth and relocation into Central Appalachia of large national building firms. A broad combination of circumstances -- some local, some regional, and others national in scale, influence these trends. Some ARC projects over the past period of authorization will have a positive influence on the residential construction industry. For example, in West Virginia a deferred payment construction mortgage financing program to be used in tandem with state funds for site development has been developed. In many areas, ARC is attempting to identify specific sites and market data to aid and attract interested large-scale builders.

The proposed amendments to Section 207 promise to increase the stock of available finished building sites for residential construction. This added program flexibility, combined with favorable economic trends in the Region and other financing programs, should encourage larger-scale residential construction and building industry growth in Central Appalachia.

Excessive Federal Standards and Regulations for Site Development and Housing Unit Construction: A frequent occurrence in Central Appalachia is to encounter building standards required by the Department of Housing and Urban Development and the Farmers' Home Administration which exceed locally accepted professional standards and model code recommendations. In one instance, for example, an ARC-funded engineering study concluded that a proposed residential development was technically feasible but then added that:

> "It is literally impossible to meet all requirements of the Department of Housing and Urban Development's 'Minimum Property Standards' on the Valley View site. During the process of preparing the Preliminary Development Plan, the design team has become increasingly aware that the 'Minimum Property Standards' were not written to govern or guide development in mountainous or moderately steep terrain."

The Commission staff is working with a number of member states on demonstration projects and studies of excessive building requirements and procedures. The issue is appropriate for exercising our special advocacy role on behalf of Appalachian communities. The Commission shall continue to fund and otherwise assist housing efforts that reflect locally accepted tastes and traditions and communicate the results to regulatory agencies.

Mortgage Credit Shortage: Like many rural areas, Appalachia suffers from persistent lack of mortgage credit. Mortgage credit in Appalachia is aggravated by three factors: (1) the general absence of savings and loan associations and resultant reliance on commercial banks for mortgage credit; (2) the tendency of private mortgage lenders to make loans only within the county where they are located; and (3) the low level of HUD program activity and associated third party brokerage of government mortgages. State housing finance agencies are excellent potential vehicles for equalizing mortgage credit opportunities in rural areas. However, there is still a tendency in the Region for these agencies to participate primarily in government-assisted mortgages in metropolitan areas.

The Farmers' Home Administration continues to offer the best mortgage credit supplement in rural Appalachia through their direct loan and loan guarantee programs.

The Commission housing program cannot expect to have a direct effect on mortgage credit supplies in Appalachia. The housing program can provide an indirect and limited influence by generating additional housing units which attract outside funds (principally FmHA permanent mortgage loans) to the area. The use of Project Planning Loans and Site Grant programs produce projects that would be infeasible without ARC assistance. In this way some indirect influence on mortgage credit has been accomplished.

Transportation Program

Nonhighway transportation assistance is also required to support community and enterprise development, to help residents commute to their jobs, increase the accessibility of public services, and to simplify the shipment of goods. Particular attention has been directed to four areas: rural public transportation, rail, air service, and ports and waterways. Each of these transportation modes presents different assistance requirements.

Other Transportation

FY1966-1978

(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 163 Projects	$21	$72	$10	$24	$127	$131
o Airports and Safety 149 Projects	18	65	9	21	113	118
o Mass Transit 4 Projects	0.8	7	0.4	2	10	10
o Transportation Demonstration 8 Projects	1	1	0.2	1	3	3
o Rail Access 2 Projects	0.4	0.03	0	0.5	1	1

Program History

The provision of adequate rural public transportation is a national problem, but is more acute in Appalachia because of the high incidence of poverty and the rough terrain. The Commission has sponsored several rural public transportation projects over the last six years, including:

- Feasibility studies or management studies were completed for ten projects in eight states (Ohio, Pennsylvania, Kentucky, Tennessee, New York, Virginia, South Carolina and Georgia). The advance preparation allowed four projects to be ready for full participation in the Section 147 Rural Highway Public Transportation Demonstration Program.
- Operating demonstration projects have been supported in five states serving approximately 600,000 passengers annually. Two projects, in Athens, Ohio and Ridgway, Pennsylvania, have received national attention for their innovative approaches in providing rural transportation services.

The abandonment of light density branch rail lines is a matter of serious concern for Appalachia because of its many rail-intensive but scattered industrial sites. Also, the Appalachian states with their coal resources find the rail system critical to their economies as energy demands grow. In response to these developments, the Commission has undertaken a number of activities:

- Conducted a study in 1973 which developed a methodology for measuring community impacts coming as the result of rail line abandonment. This methodology emphasized existing as well as future development potential of the rail line.
- Assisted the State of New York in analyzing the condition and future economic viability of six rail lines in the Southern Tier which were excluded from the Final System Plan. The study recommended the formation of short line railroads in order that service might be continued.
- Assisted the State of West Virginia in the preparation of a statewide rail plan to make the state eligible for participation in federal programs.
- Assisted the State of New York in the purchase of two rail branch lines scheduled for abandonment or discontinuance of service. In Cattaraugus County the rail line will form the basis for a new short line rail service while in Steuben County the line will be operated by an existing short line operator.
- Is currently conducting a study of all rail branch lines in the Region to determine present operational and condition characteristics. The study will also examine current assistance programs and the railroads' own efforts to improve their capital investments and quality of service.

The existence of adequate air service or air service facilities influences business decisions on location and expansion. The Commission has always recognized the need for adequate air service in the Region and in furtherance of these concerns prepared a comprehensive study of airport needs and has assisted in 149 airport improvement and safety projects at a total Commission cost of $18 million.

In a number of Appalachian areas there is concern about the development of inland commodity shipping using a system of ports and waterways. The Commission's role in this issue has involved support for planning and economic impact analyses to assure the greatest possible economic return for affected areas. Particular emphasis has been placed on the Tennessee-Tombigbee Waterway. The Commission has also provided support for the development of industrial sites and access roads to serve ports and waterways.

As the Region gears up to meet the energy needs of the nation it is increasingly apparent that additional development costs will be involved. One of these costs relates to the current and ever-increasing use of the Region's roadways for coal haulage. The Commission has recognized this problem and taken the following steps toward its alleviation:

- In a landmark study, the Commission identified some 14,300 miles of roads within the eight coal-producing states (Pennsylvania, Ohio, Maryland, Virginia, West Virginia, Kentucky, Tennessee and Alabama) over which coal was being hauled on a regular basis. This 14,300 miles of roads represented more than 12 percent of all roads within the 179 counties surveyed. A conservative estimate of the cost involved to build, reconstruct, and maintain existing roads and bridges at adequate structural standards for coal haulage was set at $3.8 - $4.6 billion by the study team.
- Worked with the Federal Highway Administration in devising a methodology for a more detailed and state-by-state assessment of coal and energy road needs throughout the United States.
- Worked with Department of Transportation, Department of Energy, Department of the Interior and the Office of Management and Budget in defining possible funding sources for an energy road upgrading program.

In addition to assessing the impact of coal movement on roads, the Commission completed a broad-ranging study on the major movements into, through and out of the Region by various transportation modes of all energy commodities produced or consumed. The purposes of the study were fourfold: (1) to identify potential mainline capacity problems; (2) to develop recommendations on energy/transportation policies: (3) to develop information on energy and energy flow in Appalachia; and (4) to develop an analytical methodology usable for continuing policy analysis.

Future Directions

The Commission's future efforts in rural public transportation will center around developing demonstration projects, assisting in preparation of aid applications, and acting as an advocate at the local, state and federal levels for solutions to rural transportation problems. The purpose of these efforts will be to prepare communities for full participation in available federal programs. Agencies other than ARC will be relied upon to provide funds for the actual operation of the projects.

The Commission plans to continue to help fund the purchase and assist in upgrading of branch rail lines. The study mentioned above, when complete, will determine the magnitude of the branch rail line abandonment problem in the Region and help define the extent of ARC's future role. The main thrust of Commission involvement will, however, be in helping public agencies assume responsibility for crucial but threatened branch lines.

The level of air service to Appalachian communities will continue to be a concern of the Commission. Its role in this area will be assisting communities and states to analyze their air service needs; monitoring the ever changing level of service situation vis-a-vis the airlines, the regulatory agencies, and the Region; and acting as a consensus developing mechanism for the states regarding air service needs and problems. The Commission can also make operating grants to commuter airlines to assist them in establishing new service. The purpose of these efforts is twofold: to assure an appropriate level of air service to Appalachian communities; and to maintain and protect the investments that have already been made in Appalachian airport improvement and safety projects.

The Commission staff has prepared a statement on air service to small communities and the impact of the Airline Deregulation Act of 1978. This statement will form the basis of an adopted Commission position on these matters to be presented to the Civil Aeronautics Board.

Enterprise Development Program

Enterprise development is a fundamental objective of ARC. It seeks to maintain and enlarge the income earning opportunities of the Region's residents and to help communities and districts provide effective and efficient incentives for private employment growth. The Commission encourages the development of energy-related enterprises to broaden the employment base. Preserving the Region's unique arts and crafts and providing help in their distribution are also elements in ARC's overall efforts to make private employment opportunities accessible to all Appalachians.

Prior to the establishment of the enterprise development program, ARC's investment policies aimed at infrastructure investments which would indirectly support economic growth. The establishment of the enterprise development program provided a vehicle to focus those investments, through the Commission's planning process, on activities which result in a viable private sector.

Program History

The enterprise development program of ARC is the planning and investment process by which public investments are used to support the establishment and expansion of private profit-making enterprises in the Region utilizing the ARC planning process. The emphasis of the program is on providing local units of government with expertise in formulating development strategies related to private enterprise. These enterprises can be industrial, commercial, service, and include such varied activities as manufacturing, transportation, mining, construction, agriculture, forestry, retail and wholesale businesses, tourist and travel-serving businesses, and banking and finance. These sectors are largely responsible for producing the wealth of a society and, in a highly interdependent economy, they are needed to provide productive jobs for the work force and tax revenues for our public services. The keystone for development of the private sector in the Region is an emphasis on assisting existing business in the Region to expand and thrive. Seventy percent of new jobs in the Appalachian Region are created by existing businesses. Investments which support this expansion are the key to new employment opportunities in the Region.

The enterprise development program evolved in several stages. The initial concept was formulated in 1974 in a study entitled "An Enterprise Development Program for Appalachia." This study emphasized industrial site development. It was recognized at

Enterprise Development
1976-1978

(Millions of Dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 90 Projects	$20	$5	$4	$10	$39	$39
Technical Assistance 54 Projects	3	.3	1	.5	4.8	4.8
Energy/Enterprise Development, 27 Projects[1]	9	5	3	8	25	25
Arts and Crafts 9 Projects	8	.1	-	.5	8.6	8.6

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[1] Includes 8 housing projects using $4.03 million in exemptive authority.

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the time, however, that ARC was already engaged to some extent in research and investment in such private enterprise development as tourism and forestry as well as industrial development. The Commission decided to utilize existing 302 authority and create an enterprise development technical assistance and training program by adding Section 302B-11 to the Code.

This section of the Code provided training and technical assistance money to state and local governments and development districts for bridging the gap between industrial development activities and the planning and investment activities of development districts and state government. This ongoing activity provides technical backup to the planning process by identifying resources and barriers to job-creating or job-retaining activities, and developing a strategy to overcome economic inhibitors.

At the March 21, 1977 Commission meeting, Resolution 438 was approved which added Section 200C-15 to the ARC Code. This new section was a response to the previous experience in Section 302B-11 and the Congressional mandate, expressed in the 1975 amendments to ARDA, for a program to "develop the Region's energy resources." The new section provides specifically for energy/enterprise development projects which are fundable under Section 302(b)(1) of the Appalachian Regional Development Act and also sets forth a broad framework for the use of other ARC funding authorities for the purpose of enterprise development. It provides guidance for the inclusion of enterprise development as a planning activity in the formulation of the state's Appalachian development plan and provides criteria by which enterprise development plans and projects will be evaluated.

A wide variety of enterprise development program activities and technical support is available through ARC funding. Program support is broken down into four general areas: enterprise development and research planning projects under Section 302 and 201; enterprise development technical assistance and training under Section 302; and the development of enterprise development-related sites (including access or utilities to natural resources extraction areas, industrial parks, commercial centers, or tourism facilities) under Section 201 or 214. Energy/enterprise development projects are funded from single allocations using ARDA Section 302(b)(1) authority.

Research and planning projects for enterprise development include projects for analysis of enterprise development potentials, market feasibilty and site-selection studies for industrial, commercial or other enterprise sites; site-planning, engineering, and development studies for such sites; industrial co-siting studies; labor-market studies, new-product or new-venture development studies; and highway-related enterprise site studies under Section 201A-11 of the Code.

An example of this type of project is the McKean County Industrial Park Wood-Waste/Biomass Feasibility Study. The Commission approved a grant of $80,000 to investigate the feasibility of converting wood-waste and other biomass materials from local forests into energy to supply firms in a 200-acre industrial park which had been and continues to be threatened by natural gas curtailment. The project explored the economic, technical and practical aspects of utilizing wood to meet future energy demands in the heavily forested North Central Region of Pennsylvania.

Technical assistance and training under the enterprise development program includes projects for local and state enterprise development personnel, business management and marketing assistance, and labor-management programs. This program enables ARC to provide trained professionals at the local and state level to implement programs to overcome the disadvantages facing the Region's private sector.

A project of this type recently began with the awarding of $112,720 to the Southern Tier LDD for the purpose of formally establishing an enterprise development program and institutional capacity in the eight-county District. This project is designed to address the need for a comprehensive and systematic approach to economic development within the Southern Tier LDD. The grant has provided the District the funding necessary both to actively participate in the general area of economic development, emphasizing the connection between planning and job creation and retention, and to directly confront the problem of alleviating those factors contributing to economic distress in the District.

The grant award is in two major parts. The largest block, $72,720, was approved to enable the Regional Board to hire a professional staff and to provide that staff with the necessary funding to carry out a specific enterprise development work program. A second block of funds, $40,000, consists of direct financial assistance to individual counties within the District designed to complement the counties' enterprise development programs consistent with the Region's economic development objective. The principal emphasis of the work program undertaken by the professional staff is to provide technical assistance to those organizations involved in industrial development within the area, such as governmental agencies, Chambers of Commerce, industrial development agencies and local development groups.

The site development activities of the enterprise development program include projects for or directly supporting the development of sites (including acquisition of land or facilities, site development, construction, or equipment) such as local access roads for an industrial park, sewer and water lines to such parks, and park equipment fixtures; commercial area revitalization; and tourism enterprise development such as state parks or other major recreational or cultural attractions. These types of projects are normally funded through Section 201 or 214 of the ARDA and provide an illustration of how differing sections of the Act can be used to accomplish an enterprise development purpose.

Projects of this type have included a market feasibility study for the development of a coal energy based industrial park in Garrett County, Maryland; planning for a Coal Service Center Industrial Park in Kentucky; a study of the feasibility of wood as an energy source for an industrial park in Georgia; and a major effort of analysis, central business district revitalization, and focusing federal resources for the economic recovery of Johnstown, Pennsylvania and its three surrounding counties after a major flood. These studies provide the planning foundation for the investment of federal dollars from many sources using the 201 and 214 authorities.

Energy/enterprise development demonstration projects and technical assistance projects for energy impacted areas and any other energy-related enterprise development projects are funded under the exemptive authority of Section 302(b)(1) of the Appalachian Regional Development Act, as amended, specifically in 1975. The 1975 amendments provided for an exemption from Section 244(b) for $3 million per year to be used "to develop the Region's energy resources." The purpose of energy/enterprise development is to "assist the Region to expand and develop its energy resources as part of its overall regional development in a manner whch will maximize the social and economic benefits and minimize the social and environmental costs of the Region and its people."

In 1975, the Pike County, Kentucky Fiscal Court received a grant from the Commission to support a technical evaluation of the feasibility of a coal gasification facility in Pike County. The report of this feasibility study indicated that coal in the Pikeville area could be gasified in a low BTU gasifier of the Wellman-Galushia type. Several sites were studied and the Douglas site was recommended. This site was a man-made tract built from waste cut material from a nearby Commission-funded highway project. A selected array of industries were recommended for recruitment by the industrial development officials in Pike County. These industries were chosen because they were gas-using, labor-intensive, and users of locally available materials and labor.

Based on this study, the Pike County Court and the Commonwealth of Kentucky decided to apply to the Energy Research and Development Administration (ERDA) for a grant to support the construction and operation of a coal gasification facility on a demonstration basis. The demonstration project involves the design, installation, operation and testing of a gasification system for industrial users completely dependent upon coal as the energy source. The primary objective of this demonstration program is to use coal gasifiers in conjunction with an energy plant. The second objective is to provide a demonstration facility which will collect technical, environmental and economic data on a low BTU gasification system used in conjunction with an energy plant to support a development site.

A 60-month contract for $2,894,118 was awarded by ERDA for partial funding for coal-handling equipment, engineering, construction, management and testing of this facility. The initial grant from the Commission supported the purchase of "long-lead equipment" as a share of the total project. A subsequent grant from the Commission (FY 1978) is supporting 25 percent of the cost of the project with 25 percent from the Kentucky Energy Office and 50 percent from the Department of Energy.

As a result of the project, the Douglas site will consist of a fire station, an intermediate health care unit, a community building and multi-unit dwellings in addition to provisions for industrial users, all using the gasification plant as the primary source of energy.

Since the inception of the enterprise development program, the Appalachian states have addressed enterprise development as a program area through which the planning process can impact on job development. For example, in the 1979 Appalachian development plan, Kentucky states: "To achieve this general goal of economic development, Kentucky will focus on an enterprise development strategy that involves putting into place the sites required for employment to expand and the community infrastructure needed to make the community more habitable for future and present residents." The states have recognized the need for enterprise development or job-creating activities. Using the program's planning activities, a broad range of community service investments can be evaluated in terms of their impact on the expansion and diversification of private and long-term employment opportunities.

One success of the program has come from those projects funded to support the development strategies of local development districts and the states through their Appalachian development plan. The Commission has funded approximately $8 million of assistance related to its enterprise development authority. A unique feature of the enterprise development program is that these investments must be part of an overall strategy identified through the development planning process. Investments such as industrial parks must be part of overall development strategy in which that investment is an integral and logical part. Thus, the Commission can assure that its investment will directly result in the provision of employment opportunities in the Region.

The interdependence of the Commission's programs for creating new employment opportunities can be demonstated by the cooperation between the program areas and complementary ARC funding authorities that impact on new job creation. For instance, many community amenities related to job creation, such as industrial parks, are funded through the community development authority. While the community development funding authorities have specific requirements for project funding, the enterprise development program provides a basis upon which judgments can be made about the viability of specific projects and their real contribution to a development strategy.

Future Directions

Business development is a function vitally important to the economic development process. It is a function that requires great skill and perservance, and in normal competitive situations can be generated only by the potential for adequate economic rewards.

Given the appropriate economic climate, including goals that can be attained by desired economic activity, access to business services and capital, labor and skills, and opportunities to develop a viable economic activity, businessmen/entrepreneurs can emerge quickly in an environment in which they were previously conspicuous for their absence or reluctance.

The Commission believes that it is now appropriate to more directly help build that economic climate which will encourage the expansion of the Region's business community.

The proposed new ARC Business Development Program is designed to assist states and local economic development efforts with the final link in the total development, planning and implementation process -- a technical and financial assistance program to the Region's small business community.

The emphasis of this program is to fill the gaps in other federal programs and provide expertise at the local government level to identify needs and develop strategies to overcome local business problems; provide technical assistance to businessmen, entrepreneurs, small farmers, and arts and crafts enterprises; and offer loans for small business expansions, start-ups and the critical financial needs of small farmers.

It has been a unique feature of the Commission's program that its private sector investments have been a part of a broad bottom-up development planning process which includes consideration of human service needs, transportation, community facilities, housing and natural resources as integral to the development of a diversified regional economy.

Using this process, two development districts in New York Southern Tier East and Southern Tier West, have identified technical assistance and capital shortages as the key element in their efforts to retain and create jobs and have implemented programs to meet these deficiencies. The Commission grant made to the Southern Tier West Development District established a $220,000 revolving fund, which serves as a prototype for the proposed new program.

As a result of technical assistance made available through the Chautauqua County Energy Office, companies were identified that needed capital because they lacked financial ability to meet either commercial banking requirements or minimum collateral requirements of other federal programs.

The Chautauqua County Industrial Authority, with ARC approval, set up the following regulations to administer the Industrial Energy Trust Fund in Chautauqua, Cattaraugus and Allegany Counties, New York:

I. Loan Terms and Conditions

A. General Eligibility - The Loan Program is available to all industries within the twenty through thirty nine Standard Industrial Classifications major groupings. It is, however, primarily directed at intermediate and smaller plants since financing and technical assistance is generally less accessible to these size industries.

B. Eligible Activities include any energy investment modification dealing with tangible equipment/hardware required for production from individual industrial gas wells, equipment/hardware required to convert or create a back-up energy source, or equipment/material/hardware required to conserve, recover or recycle energy in plant structures, processes or operations; the key word being hardware.

Eligible Expenses include the cost of 1) materials, equipment and hardware; 2) the installation of such materials, equipment and hardware; 3) the cost of determining and verifying cost-effective energy projects.

C. Maximum Loan Amount - Maximum amount of loans will be $30,000 per individual industrial concern, unless there are single modification projects which exceed this amount. In such cases the loan may be increased to a maximum of $50,000.

D. Loan Percentage of Project Cost - The maximum loan percentage of total project is 80%; the percentage decreases with a total project cost exceeding $30,000.

E. Term of Loan - The period for repayment of a loan under this program will be the same period as the gross payback period of the project, computed by dividing the total project eligible cost by the annual energy and related savings (e.g. - A modification costing $25,000 which saves $12,500 per year has a gross payback of 2 years which becomes the repayment term). The maximum period for repayment of a loan under this program is 5 years regardless of gross payback period.

F. Rate of Interest on Loans - The rate of interest on loans under this program shall be 6% per annum through October 1, 1978, thereafter a new rate schedule may be applied. The rate provides both an acceptable return to the Industrial Development Agency plus a sufficient incentive for private sector investment.

G. Repayment Schedule - Principal and interest will be repaid in equal monthly payments with the amount of each payment determined by dividing the total loan amount plus prorated interest by the number of months in the term of the loan. Excess loan funds will be placed in a single interest bearing account to permit immediate withdrawal for approved loans.

H. Loan Agreement and Collateral - The Loan Agreement will be based upon non-collateralized corporate notes. The Agency's attorney will draw up a note including all necessary covenants and loan elements when the Appalachian Regional Commission approves the loan format.

I. Extensions and Waivers - No provision for loan repayment extensions or waivers of repayment are made. Only under extraordinary circumstances will the Chautauqua County Industrial Development Agency consider or grant extensions or waivers.

J. The method of application will be by letter from the company to the Agency, specifying the purpose of the project, its economic impact, the reasons and need for Agency assistance, in addition to a description of the company, its products, its history, and a projected statement of future growth and earnings potential. The Agency specifically does not want to make exclusive credit decisions, but will rely on bank participation or bank references to permit speedy and effective review of applications.

K. The loan closing procedure will be minimized and include signature on the note and corporate guarantee of repayment. No U.C.C. or filings are anticipated. The Agency meets once a month and will decide at that time which projects it wishes to invest in, so notifying those applicants by mail of the Agency's action.

This combination of technical assistance and revolving-loan fund (1) saved companies several hundreds of thousands of dollars in the drilling of unproductive gas wells; and (2) already has provided 50 new jobs and helped retain 100 jobs.

This program is an example of a technical assistance and financial assistance program related to small business energy problems. It has demonstrated a potential transferability for more general application in the non-energy business area. The proposed program builds on this experience and provides the Commission with authority to apply this experience in areas not directly related to energy. Unique features of the proposed business development program are:

- This type of project must be evaluated through the Commission's regular Section 303 process, i.e., it must be identified as a gap in a development district's strategy to create or retain jobs and must be part of a state Appalachian development plan.

- It offers a method of targeting the types of business development appropriate to specific areas. For example, in the Northern Subregion, state development plans emphasize the retention of jobs; in the Central Subregion, creation of new entrepreneural opportunities are necessary to diversify the economy; and in the Southern Subregion, the creation of higher quality, high-wage jobs is a development goal. By restricting the eligibility to specific types of business, states and local governments can stimulate specific types of private sector development, i.e., high technology businesses.

- Using these revolving-loan funds as a supplement to regular sources of funds, both private and public, small businesses that would normally be unable to qualify for assistance, through lack of collateral or track record, will be able to start or expand operations.
- The control at the local level of the program, combined with ARC oversight and administration, enables the purposes of the business development program to adjust to current local needs.
- The program establishes a method to encourage the establishment of non-federal revolving funds which will remain in an area and provide a long-range source of assistance to the Region's business community.
- The flexibility of the program will allow, in the agricultural and forestry area, loans to small farmers which are needed to enable them to take advantage of such income-generating opportunities as production of specialized cash crops and greater use of new technology, and specialized farming and harvesting methods.

The 1975 amendments authorized the Commission to provide assistance for demonstrations of enterprise development, including site acquisition and development in connection with the development of the Region's energy resources. The same legislation amended the preamble of the Appalachian Act, calling for the Commission to direct special effort in all of its program activities to stimulate the proper use of Appalachia's energy resources.

In meeting this objective, the Commission has used a limited demonstration program of $3 million annually in the area of energy-related enterprise development authorized under Section 302. The types of activities funded within this program include: (a) demonstrations to remove or reduce the sulfur content of Appalachian coal, thereby increasing its market in urban areas; (b) special demonstration grants for energy-producing facilities, including site acquisition and development; (c) projects that demonstrate standardized coal gasification processes that serve industrial parks threatened with the loss of natural gas supplies; (d) demonstrations for the development of groupings of industrial facilities to take advantage of energy coal and gas by-products; (e) demonstrations that explore new energy production sources and methods; and (f) demonstrations of energy utilization and conservation methods.

Seventeen million dollars has been used in implementing this program and these funds have generated an additional $5.2 million in federal funds and $8.7 million in local funds. Project requests, however, have far exceeded the authority available to fund them.

Human Services

The Commission recognizes that a healthy and skilled population is a vital precondition to the economic development and well-being of the Region. Access to basic health and education services has been limited for many Appalachians because of severe shortages of trained manpower and adequate facilities; the high cost of serving a dispersed, rural population, and the limited fiscal ability of state and local governments to improve such services. In response, the human service activities of the Commission are directed toward improving the organization, accessibility and delivery of basic human services in health and education to better prepare Appalachians to contribute to and benefit from regional and national economic development.

During the program design efforts of 1974 and, more recently, at the 1977 Conference on Balanced Growth and Economic Development, the Commission stressed the importance of human development to balanced growth and the necessary linkages of jobs, income and human services to the needs of Appalachian families. In November 1978, the Commission sponsored a conference in Asheville, North Carolina, to explore alternatives for Raising a New Generation in Appalachia. This conference began a process of review and analysis that led to a Resolution now before the Commission regarding human services. In short, the Resolution--

- reaffirms the Commission's commitment to strengthening Appalachian families by enhancing employment and income through diversified development programs;
- establishes the goal of the attainment of basic education skills by all primary and secondary school children in the Region;
- provides funding of current child development projects beyond the fifth year and a five-year limit for all new projects after September 30, 1979;
- establishes the goal of reducing infant mortality rates in Appalachia and requires that States submit a report to the Commission indicating progress being made towards the goal; and
- reaffirms the Commission's intent to strengthen its role as an advocate within both the public and private sectors for the Region's children and their families (language relating to the private sector was added by staff after the March 6th States' Management Committee's review).

Given the magnitude of human service needs and possible public actions in the area, it is especially critical for the Commission to coordinate its efforts with other federal, state and local organizations and to concentrate its funds in ways that will increase the overall quality, effectiveness and efficiency of basic human service systems. The discussion in this section presents the Commission's three basic human service programs -- health, education and child development.

Health Program

Program History

When ARC was created, the federal government was only beginning to address national health care problems. Medicare had not been enacted. Medicaid was only one year old. Comprehensive health planning had not begun. As the ARC health program gradually took shape, it was designed to:

Health

FY1966-1978
(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 1,433 Projects	$385	$230	$40	$600	$1,255	$1,449
• Primary Medical and Dental 496 Projects	136	50	13	144	342	376
• Hospital 278 Projects	110	136	6	361	612	734
• Mental Health and Rehabilitation 188 Projects	52	37	13	49	152	190
• Manpower Development 106 Projects	28	1	5	13	47	47
• Planning, Administration 171 Projects	23	1	1	8	33	33
• Disease Prevention* 102 Projects	21	2	1	7	31	31
• Emergency Medical Services 92 Projects	15	3	1	18	38	38

* Solid waste projects included under Community Development.

- demonstrate the value of health services as part of economic development
- illustrate the importance of health planning in rural areas
- test the value of primary care as an economically and medically sound approach to the delivery of health care in rural areas.

Each of the 13 states took its own approach to the health problems within its Appalachian counties. Some focused on the construction of health facilities; others began with plans for comprehensive health services.

The Commission itself concentrated on the development of a local, state and regional capacity to plan, develop and manage health programs; to this end, it supported over 40 comprehensive health planning agencies. These agencies served over 70 percent of Appalachia during the peak demonstration years. Recently established Health Systems Agencies now cover all of the Region. Additional early investments were directed toward constructing, renovating and equipping health facilities within 12 demonstration areas.

The overall program, however, has gradually evolved from a geographically focused, hardware investment strategy to regionwide service in a primary health care, basic health services program aimed at rural, medically underserved areas. Most representative of this shift is the emphasis on primary health care centers. Three hundred of these centers, which provide a level of care not quite so broad as that of a small hospital but considerably broader than that of a family doctor's office, are now operating in communities throughout the Region.

The total Commission investment in health programs to date has been approximately $385 million with 1,433 individual programs receiving support. The average life of a health operations grant is three years and the program as a whole has average $2.50 from other federal, state and local agencies for each dollar it has invested. At the close of fiscal year 1978, 56 percent of the total 202 health programs dollars were expended for operations projects, 37 percent for construction and equipment grants, and 8 percent for program development. Since 1975, program emphasis has been placed on primary medical and dental care and disease prevention. In fiscal year 1978, 44 percent of the projects funded were designed to promote primary medical and dental care services, 17 percent for prevention of disease, 9 percent for manpower development and training, 9 percent for planning, administration and technical assistance, 8 percent for emergency medical services, 6 percent for mental health, mental retardation and rehabilitation, 4 percent for emergency assistance to coal field clinics and hospitals, and 3 percent for hospitals.

Appalachia's health care problems continue to center around poverty, shortage and maldistribution of health personnel and limited availability of services. Fourteen years of experience with these problems has focused the ARC health program on some new priorities:

- Provision of basic health services to all Appalachian residents, especially those in neediest communities. "Basic health services" are generally taken to include preventive and public health (including prevention and enhanced care of high risk teenage pregnancies); primary, dental and home health and prevention of illness.

- Increased emphasis on recruitment of physicians, dentists, nurse practitioners and physician assistants.
- Support of state and local program development and management activities for health services.
- Development of linkages with specialized services (acute care, chronic inpatient services) and development of appropriate alternatives such as home care and self-care.

It is clear that rural Appalachia still lacks some of the basic building blocks for the health system it needs. The states need support in developing manpower programs, they need flexibility in adapting national programs to rural needs and capabilities, and they need relief from federal legislation that imposes inequities in reimbursement systems for health services.

Significant progress has been made, however, and two key indicators of the Region's health status and availability of resources have shown marked improvement during the life of the Commission's program. These include:

- infant mortality which was reduced from 27.9 deaths per 1,000 live births in 1963 to 15.8 percent per 1,000 in 1976; and
- the number of practicing nonfederal physicians which has increased from .9 per 1,000 persons in 1963 to 1.16 per 1,000 residents in 1976.

A recent analysis of some aspects of the Commission's primary health care program details the cause and effect relationship between ARC-funded centers, growth in physician base and reduction in infant mortality.

The study reported the following:

> "An analysis indicates that ARC funding has significantly increased the physician-population ratio in Appalachia. A $1 per capita increase in ARC funding between 1970 and 1975 is estimated to increase the physician-population ratio by .736 physicians per 100,000 population. Furthermore, using the estimated coefficient the average per capita level of ARC funding ($1.90) can be found to be associated with an increase of 1.4 physicians per 100,000 population in Appalachia. This is about 20 percent of the aggregate growth in physician supply in that region during the 1970-1976 interval. Perhaps most striking of all is our finding that, as hypothesized, infant mortality is negatively and significantly related to the GP physician-population ratio in Appalachia. We view this finding as indirect evidence for the hypothesis that the ARC (primary care) grant program has led or may lead to an improvement in health. Assuming that the ARC has increased the physician supply -- the evidence for which has already been presented -- (this) finding suggests that such ARC-generated increases in the physician-population ratio lower infant mortality."

The 1975-1978 Focus

The 1975 amendments to the ARDA, the accompanying committee report and Code revisions gave emphasis to several opportunities for improving the delivery of basic health services to Appalachians.

- The development of basic health services accessible to Appalachian residents within 30 minutes travel time...

The Commission has funded 496 primary medical and dental care projects since 1969. According to a recent analysis of some aspects of the primary care program, there are indications that the Commission has made substantial progress in placing primary care health clinics within a 30-minute travel range.

The North Penn Comprehensive Health Services Corporation is a typical example of an ARC-funded primary care project. It is a community-based organization which sponsors a network of three primary health delivery centers in northern Pennsylvania. The Corporation was formed in 1972 in the wake of the closing of a state-run general hospital. Members of the local community organized the Corporation with the purpose of recruiting medical providers to fill the void left with the closing of the hospital.

The three sites became operational within three years of each other, each supported with Appalachian Regional Commission funds. All sites received three-year funding support from ARC. This ARC support ended with fiscal year 1977. Rural Health Initiative funds were awarded beginning that year and National Health Service Corps personnel were assigned to the project in 1977. Community fund-raising is a continuing source of support for the network operations.

Two of the service sites are located fairly close to each other (about 15 minutes travel time), but do not have overlapping service areas. The third site is within 45 minutes driving time of the other two.

The geography of the area is characterized by rolling terrain with some mountainous areas. Roads range from well-maintained major through routes (two-lane) to rougher paved minor roads. Most of the population (95%) has access to automobiles, according to project staff. There is no public transportation which provides regular service to the area. For the elderly in the area, a Home and Center Services Program provides transportation.

The population has age and education characteristics, similar to those in the U.S., but below U.S. medians for family income and percent below poverty level.

Medical services at the three sites are organized with a core of three staff physicians, two nurse practitioners, and one physician's assistant, supplemented by medical residents. The three physicians rotate on-call responsibilities. Each physician has primary responsibility for one of the three sites, but there is some rotation. Dental services are provided at two sites by two dentists and one dental hygienist. A psychiatrist provides services at one site.

In addition to providing primary medical and dental services, the Corporation has sponsored other services to the community. Emergency medical services were provided at one facility on a 24-hour, seven-day a week basis until 1976. The service was discontinued at that time because of its high cost. Other services which are still provided through sponsorship of the Corporation are a drug abuse and alcohol prevention program, an inpatient program for youth offenders, and a home health program.

- Development of programs in medically underserved areas...

Since 1975, $110 million has been invested in health programs serving communities located in HEW-defined medically underserved areas. Typical of this program is the Bogard Primary Care Clinic, a nurse practitioner-based center located east of Knoxville, Tennessee, close to the Great Smoky Mountains National Park.

The area is extremely rural and hilly. The clinic is located off a narrow, bumpy road, characteristic of roads in the area. About 20 percent of the population does not have access to automobiles. There is no public transportation. Except for private vehicles, the only source of transportation is the Department of Public Welfare.

The county averages three and one-half fewer years school completed than the U.S. population. Median family income is only 57 percent that of the U.S., almost 30 percent of the population is below the poverty level, and almost 40 percent is at 125 percent of the poverty level. Paradoxically, the percent of the population receiving AFDC payments is actually less than the U.S. average. The unemployment rate is almost double that of the state and of the U.S.

The rural character of the area is evidenced by a low population density, a low percent urban, and a high percent of households lacking some or all plumbing facilities. The infant mortality rate of the county between 1970-1974 was 31.0. The national infant mortality rate for the same period was 18 percent. In 1974, 41.8 percent of births were without prenatal care.

The clinic is staffed by two full-time employees: a nurse practitioner, and a secretary/receptionist. A group of five physicians in nearby Newport (15 minutes) has an agreement with the clinic to provide backup. This backup takes the form of one physician visiting the clinic one-half day per week, and telephone availability for consultation and referrals. The group also is available on a 24-hour basis for emergency services. In addition to nurse practitioner and physician visits provided on-site, home visits are provided if necessary, and laboratory and pharmacy services are provided. The clinic is open five days a week from 9:00 a.m. to 4:30 p.m., however, the nurse practitioner lives in the community and takes calls on a 24-hour basis.

- The testing of innovative and replicable, high quality, cost-effective strategies which would: (1) reduce costs, (2) increase prevention of disease, and (3) coordinate programs...

The primary health care program strategy, with its emphasis on preventive, basic level and family-oriented care, initiated by the Commission, was the basis for a nationwide primary care program for rural areas (Rural Health Initiative), later developed by HEW. The Commission's Health Demonstration Area programs planned, developed and coordinated health programs within their areas and became the basis for the Congressionally mandated Health Systems Agencies. Several of ARC's Health Demonstration Areas were designated as lead agencies by the Governors of their states to serve as "showcase models" for the new HSAs.

- Development of health manpower appropriate to the long-term needs of the Region...

The Commission has invested $28.2 million in the training of physicians, dentists, nurse practitioners, physician assistants, nurses, and ancillary medical personnel over the life of its program. An example of this effort took place in Hiawassee, Georgia, a town with a small hospital and three physicians who wanted to expand primary care services as well as ease their own round-the-clock burden. These seemingly contradictory desires were met by the state and ARC through the selection of two nurses already on the staff for training as nurse practitioners. The result has been nurses with enhanced abilities (they handle 95% of the patients visiting the emergency room), knowledge of local people, and incentive to remain in the area, all things that have relieved the physicians' burden and improved health care in Hiawassee.

Equally important to health in Hiawassee is the fact that the hospital may now be reimbursed under Medicare for services performed by the two nurses even if a physician is not present. The Commission's knowledge and experience played a vital role in the passage of legislation allowing reimbursement for health services provided by physician extenders and nurse practitioners in rural areas.

- o Improvement of state and local planning capabilities, improvement of project management practices and alleviation of operating deficits...

In 1976, the Commission adopted a new application and monitoring process which was designed to measure project performance, identify projects which were innovative, and assist projects in achieving long-term viability following the ARC grant life. To date, eleven of the 13 states are participating in the process. The Commission has also provided ongoing management training assistance to all primary care clinics needing assistance during the past four years.

Future Directions

The Commission's health program shows important accomplishments in planning, facilities construction, equipment provision, and basic health services/primary care. Its planning efforts have been folded into the nationwide Health Systems Agencies: the need for large facility construction and equipment projects (particularly hospitals) has been reduced allowing focus on a smaller number of basic health service/primary care facilities; and its primary care efforts have resulted in the initiation and growth of a Federal Primary Care Program, Rural Health Initiative. In short, between the efforts of the Commission and the federal program, primary care has become a less likely target for ARC funds.

Problems remain, however, and it is necessary for the Commission to make special efforts to focus attention and policy program development efforts on them:

- o Improve levels of medical manpower in the Region...

As has been true for years, Appalachia falls behind the nation in availability of health resources. Although the number of physicians has increased generally, the distribution of health resources across the Region is uneven. Forty-five percent of the Appalachian counties have been designated as health manpower shortage areas by the Health Resources Administration. The number and distribution of dentists is particularly striking. Central Appalachia has only .18 dentists per 1,000 population as against .40 for the total U.S. The Commission will, during the next four years, improve this situation through regionwide doctor and dentist recruitment efforts. Continued emphasis will also be placed on the training and use of nurse practitioners and physician-extenders.

One of the most effective ways to influence the training of health professionals is to place them in rural health care settings during their training period. The Commission has a successful history of placing medical and nursing students for six- or eight-week periods and will develop ongoing intern programs to place medical, dental, nursing and allied professionals in community-based projects in the Appalachian Region. This initiative will have this added advantage of assisting in recruitment of health professionals.

- o Establish demonstrations in cost-containment and alternate reimbursement mechanisms...

Long-term care in nursing homes has increased at great rates and is placing serious strain on the health financing system generally, and the Medicaid program specifically. Nursing home care costs are approximately $12,000 to $15,000 a year. Several states are pursuing alternate appropriate forms of long-term care and reimbursement mechanisms for such care.

A recent Commission study estimated that 25 percent of the Central Appalachian population cannot afford private health insurance and do not qualify for Medicaid or Medicare. The Commission will further study the problem of the medically poor across the Region and develop feasibility studies for demonstration programs of reimbursement for the working poor. Lack of financial access to health care is especially prevalent among young, growing families who need maternal and child health care. A recent analysis of income and young families revealed that 21 percent of rural Appalachian families with young children were living in poverty, and that 51 percent of young Appalachian families in 1970 made less than $8,000 per year. Many of these families reside in counties where the infant mortality rate is higher than one and one-half times the national average.

- o Emphasize programs oriented toward prevention of disease and promotion of health...

There is general agreement that prevention and health promotion activities need more emphasis, e.g., health education, genetic counseling, environmental health, home health care. The difficulty of translating the concept into real projects is twofold: the lack of third-party reimbursement or other financing; and the young state of the art.

There are, however, examples of individual programs in the Region and around the country that are addressing these areas successfully, despite the difficulties. These examples can be replicated in the Region and a March 1979 health conference will examine some of them.

- o Reduce infant mortality...

Now before the Commission is a Resolution establishing the goal of reducing infant mortality rates in all counties of the Region to less than the average rate for the nation.

Education Program

Program History

The Appalachian Regional Commission has from the first concentrated its major educational efforts in the field of vocational and technical training. This concentration reflects the basic mission of ARC -- to promote economic and social development in the Region. More traditional educational training, grounded in academic subjects and college preparation, has failed to adequately prepare large numbers of young Appalachians for successful careers, because it has too often failed to demonstrate its worth in immediate economic terms. A very high rate of high school dropouts has been the legacy of this failure, leaving young people without adequate education or job skills.

In the early years of the program, the majority of Commission-assisted projects were for the construction of vocational education facilities. More than $305 million of nonhighway funds obligated to date have gone into the construction and equipping of vocational education facilities. As of September 30, 1978, Commission funds had been invested in almost 500 schools. The heavy emphasis placed in the early years on providing basic physical facilities for vocational education has contributed to a reduction in the Region's dropout rate and has substantially upgraded the job skills of thousands of Appalachians. This network of occupational training facilities has promoted industrial development in the Region and in contiguous areas and will continue to do so. Moreover, the utilization of these facilities will extend to other educational areas such as adult basic education and community education.

In more recent years, the trend has shifted to operation and demonstration programs and to expansion, remodeling and equipping of existing schools. Presently, the construction of vocational facilities is pretty much confined to the completion of a state's vocational system or in response to the specific manpower training needs of local industry. In this latter category, for example, the Commission awarded several construction grants in FY 1977 and 1978. In Pennsylvania ARC funded the construction of a 28,500 square foot Regional Rail Training Center to be located in South Altoona, Blair County. This project was developed in response to the designation of Altoona as the equipment fabrication and repair headquarters for the Conrail Corporation. Instructional activities at the center will include a basic orientation in railroading, safety instruction, training in a specific skill craft, and retraining of currently employed personnel.

In Kentucky, the Commission, responding to the training needs of the rapidly growing mining industry, assisted in the construction of mock mines on the campuses of the Harlan State Vocational Technical School, Harlan, Harlan County; the Hazard State Vocational Technical School, Hazard, Perry County; and the Mayo State Vocational Technical School, Paintsville, Johnson County, respectively. The more realistic training environment to be provided by these three structures will facilitate the conduct of practical exercises in programs featuring orientation and introduction to mining operations, mine equipment repair and maintenance, electrical and hydraulic installation and trouble shooting, mining equipment operation, mine air ventilation systems, and mine rescue and accident prevention. These programs will involve a wide range of trainees at various skill levels.

The first shift in emphasis from construction and corollary equipment programs to operational programs came as a result of Congress amending the Appalachian Regional Development Act in 1971 and, in doing so, allowing funds to be used for operating

Vocational and Other Education
FY 1966-1978
(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 1,578 Projects	$433	$183	$285	$333	$1,232	$1,315
- Vocational Education 1,029 Projects	333	73	196	204	805	805
- Higher Education 224 Projects	58	81	77	92	308	337
- Library 137 Projects	15	12	8	25	60	68
- Educational TV 29 Projects	8	3	1	2	14	14
- Regional Education Service Agencies 29 Projects	7	2	1	4	14	14
- National Defense Education Act 70 Projects	7	12	0.1	5	24	24
- Non-vocational Education Demonstrations 40 Projects	5	0.1	0.5	1	7	7

programs. As a result of these amendments, the Commission established priorities to cover those operational projects which (1) introduce or add new or extend or expand existing vocational or technical services or programs of the following types: career education, guidance and placement services, and training in fields with critical manpower shortages, or (2) provide services which satisfy a specific state-identified need.

An example of the Commission's effort in the former priority area is the operating support given to career education projects in Appalachian Ohio. The pioneering program in this educational area was conducted under the auspices of the Washington County Vocational School at Marietta. This program, having exhausted its eligibility for ARC assistance upon termination of its fifth operating year, is currently supported with state and local funds. In the adjacent tri-county area of Athens, Hocking and Perry, there is a similar project in its fourth year of ARC funding.

Commission support of programs in the latter priority area is exemplified by a solar energy training program for secondary students in North Carolina and an oil producing training program for high school students in Pennsylvania. ARC assistance to the first-mentioned project, to be implemented at four secondary schools in the counties of Alexander, Caldwell, Jackson, and Wilkes, will provide for tne acquisition of equipment, supplies, and staff needed to train from 136 to 216 students annually for entry-level jobs in the solar energy field. Instruction will cover the design, fabrication, and installation of solar energy components and systems in homes, schools, and industrial and commercial enterprises.

The Bradford Area High School Oil Production Project in McKean County, Pennsylvania, received ARC grant assistance in both 1977 and 1978; in addition, some services and equipment were donated by private individuals and industry. Initial ARC assistance provided for the construction of a building addition and the acquisition of equipment needed to implement a course that would offer students hands-on experience in the field production phase of the oil industry. The original curriculum provided for skill training in such areas as welding, basic electricity, pipe fitting, rigging, pumping, hydraulics, tractor and bulldozer operation, etc. Subsequent ARC funding went toward the purchase of an oil drilling rig and some operational support designed to complement the above curriculum and to expose students to the total process of drilling a producing well and rendering it operational.

The need for operational assistance and the receptiveness on the part of states to the operational authority granted under the 1971 amendments are attested to by the fact that, through FY 1978, approximately $22.3 million have been approved for 89 operating programs.

In addition to operating authority, the 1971 amendments provided demonstrational authority for vocational and technical education projects that would demonstrate areawide educational planning, services and programs. One such demonstration project is the Staff Exchange Project encompassing all of Appalachian Kentucky, which is conducted by the Kentucky Bureau of Vocational Education. This project involves vocational teachers, vocational administrators and representatives of business and industry. The purpose of the project is to make occupational education more relevant to the needs of business and industry. Project accomplishments to date have induced the Bureau to fund it in its entirety and to implement it on a statewide basis.

The 1975-1978 Focus

The 1975 amendments did not alter the basic focus of the Commission's education program (i.e., career training), but gave it greater diversity by providing new demonstrational authority in certain nonvocational areas. In doing so, they also encouraged a shift from infrastructure development to facility utilization. This shift has found expression in Section 211a of the Code which requires potential applicants for new construction projects to explore the exent to which ARC-assisted or other existent facilities are utilized, especially with regard to the provision of adult education programs, and to consider less costly alternatives (i.e., renovation, consolidation, provision of transportation, etc.). The Commission's policy also restricts equipment grants to those that will serve innovative or expansionary programs. During the period of 1975 to the present, this shift is substantiated by the kinds of investments made by the states. The following table summarizes these investments:

	FY 1975	FY 1976	FY 1977	FY 1978
Facilities/Equipment	$42,623,000	$21,660,000	$17,287,000	$16,416,000
Operations	$ 3,586,000	$ 5,540,000	$ 6,648,000	$ 6,658,000

With regard to the expanded demonstrational authority, the Commission established priorities for both vocational and nonvocational projects in such areas as vocational and technical education; career education; cooperative education; recurrent education; guidance, counseling and placement services; reading, mathematics and communication skills; Regional Education Service Agencies (RESAs), which provide cost-effective educational services to groupings of school districts that could not afford such services on an individual basis; and a limited number of specialized areas responding to educational needs and priorities identified and documented in state Appalachian development plans. Some states have used this latter category to identify and invest funds in economics education programs, programs for the talented and gifted, dropout prevention programs, and the Appalachian Education Satellite Program. During the first three years of broadened authority for nonvocational areawide education demonstrations, the Commission approved $7.2 million for 50 demonstrational programs, which were selected with the involvement of all sectors of the community.

The recently funded Mississippi Appalachian Manpower Consortium is an excellent example of the kind of community-based vocational demonstration program that reflects local views on needed job skills and likely employment opportunities. The Consortium effort is supported at two levels. At the state level, the Employment Security Commission, as the lead agency in a consortium of state agencies concerned with providing training programs to meet labor market needs, is developing statewide occupational data that will be deaggregated for each of Mississippi's 13 junior college districts. At the local level, the Consortium (an association of local manpower training agencies and institutions) critiques the occupational projections for Appalachian Mississippi and, in cooperation with the state agencies, agrees upon a uniform set of projections to be used for the planning and development of training programs.

A corollary effort is the establishment of three career resource and information centers at three junior colleges to provide career information and counseling to individuals in all age groups and establish a referral system with manpower agencies and educational institutions in their respective areas.

Another project featuring community involvement at various levels is the Community-Based Program for Upgrading Manpower Resources and Career Development now in its third year of operation in the three-county area of Steuben, Chemung, and Schuyler in Appalachian New York. The project involves two major programmatic efforts, i.e., a community-based program and a school-based program. The former focuses on job placement coordination and educational services brokering, which creates a linkage between employers and educational resources through the dual function of informing employers of available training opportunities and educators of employers' training needs. The development of specific training programs in critical skill areas will benefit unemployed or underemployed adults and out-of-school youth. The school-based program centers on development of school personnel and highlights the integration of career education concepts into the curriculum. An important project feature is the promotion of cooperation between the business and education communities and other interested agencies.

Regional Education Service Agencies have figured prominently in the Commission's education program. Typical RESA multi-district and multi-county programs include such activities as early childhood education, media services, special education, staff development, adult basic education, talented and gifted programs, group purchasing, and activities associated with the Appalachian Education Satellite Program (AESP). RESA multi-county operations are exemplified by the reading centers established with ARC assistance in North Wilkesboro and Canton, North Carolina, which focus on staff development and teacher certification.

A number of ARC demonstrations have featured the employment of innovative technology. In Appalachian South Carolina, the Commission funded a program calling for the coordination and operation of the Appalachian Education Satellite Project in that region. Augmenting limited National Institute of Education funds, ARC monies will help transmit programs via NASA-operated satellites that are selected and developed with local assistance and therefore are responsive to community needs. Such programs can provide people grouped at one of 45 regionwide receiving sites with advanced training in their field of work or in other skills without compelling them to leave their homes or jobs and travel to the campus of an institution of higher learning.

The development of two computer networks in the eastern half of Ohio's 28-county Appalachian Region is another example of the trend toward technology innovation. This project, sponsored jointly by the Ohio Mid-Eastern RESA and the Southeastern Ohio Voluntary Education Cooperative and covering a 20-county area, will soon be expanded to include the four-county area of the South Central Ohio RESA so that virtually all of Appalachian Ohio will shortly receive data processing support in such areas as student scheduling, grade and attendance reports, payroll operations, etc. The project provides for the acquisition of digital computer equipment (some of which is already operational) for setting up networks that will tie in with direct access to the computer centers operated by the Metropolitan Education Council and the State Department of Education at Columbus.

The increased interest on the part of states in ARC's broadened demonstrational authority is evidenced by the following table:

	FY 1975	FY 1976	FY 1977	FY 1978
Nonvocational Demonstrations	0	$986,000	$2,360,000	$3,716,000

Future Directions

The following observations can be made about current educational needs in the Region:

- Some special areas of concern include training in reading and other basic skills, programs for disadvantaged and handicapped students, counseling and guidance, and in-service education of teachers. (Most of the 13 states have given high priority to improved reading instruction, better counseling services, and handicapped education.)

- There is a continuing need to correlate student interest with employment opportunities and to draw on representatives of business and industry, and the larger community in educational planning.

- Job counseling and placement of vocational students are two crucial school services which an evaluation study found to be weak. Student follow-up constitutes another deficiency.

- Dropout rates for Appalachia remain significantly higher than those for non-Appalachian areas. The national estimated rate is 36.2 percent. Some Appalachian state reports indicate dropout rates averaging 50 percent.

- Although the Region is well supplied with post-secondary institutions, the proportion of Appalachians who have completed college remains strikingly low.

- The previously noted high dropout rates account for low levels of adult literacy, which pose a serious problem especially in Central Appalachia and, to a lesser degree, in Southern Appalachia. United States Census data indicates that approximately 5.3 percent of the U.S. population age 25 and over have less than five years of schooling. Northern Appalachia reports 4.3 percent, Southern Appalachia 10 percent, and Central Appalachia 15.3 percent. The regional average is 9.8 percent, almost twice the national average.

- The secondary curriculum in Appalachian schools (as in those of the nation) appears to be badly in need of revitalization. In many instances, secondary schools seem to perform the role of a caretaker agency. Recent challenges to the existent secondary system, which call for the completion of requirements leading to a certificate of literacy (or functional literacy), suggest that significant change must occur in that area.

As an overall educational goal, the Commission believes that Appalachian communities must strive to develop systems which will provide expanding opportunities for continuing life-long education based on individual needs and aspirations. However, the Commission is also convinced that educational improvements which lead toward this goal cannot be "imported" because they depend, above all, on the development of improved linkages among different parts of the formal educational system and between the schools and colleges and other elements of the community which are critical in the development of its human resources. Thus, the impetus for effective and lasting change must be locally based, must develop, and must produce new institutional forms and arrangements to insure a wide range of settings for relevant learning adapted to the wide range of life circumstances of the learners.

In the long run the Commission believes that the most effective role for ARC will be to act as a catalyst for educational change, especially by providing information, technical assistance, and other resources to local groups which can foster the development of more broadly-based educational leadership and also by acting as an advocate of local needs vis-a-vis the states, the federal government, and other potential sources of support, such as private foundations.

However, the Commission also recognizes that it will require considerable time even under favorable circumstances, to bring about the institutional changes which will ensure such broader participation. Consequently, the Commission proposes to promote a deliberately phased shift in its education support activities:

- Increase vocational training projects designed to improve the quality of all types of career-oriented education while continuing to reduce funding of facilities and equipment.
- Increase operating support of such priority programs as upgrading the job skills of adults, literacy, counseling, job placement, and the instructional use of telecommunications.
- Support the efforts of state and local communities to identify and meet the educational needs of their citizens.
- Act on the proposed Commission Resolutions based on the 1978 conference on Raising a New Generation in Appalachia. Of particular importance is the resolution establishing the goal of insuring that children attending kindergarten through 12th grade in Appalachia attain the basic skills of reading, mathematics, and oral and written communication (see Resolutions in Part IV of this report).

Child Development Program

Program History

In contrast to Commission programs which concentrate on the provision of specific types of services to all elements of the Region's population, the child development program addresses on a demonstration basis the coordinated delivery of a wide range of services for a specific target group -- the Region's children under six. The rationale for this program focus is twofold. First, and most important, Appalachia's children represent its greatest resource for future development. The socioeconomic, health and education deficits characteristic of many areas of the Region can affect children in especially damaging ways, often resulting in costly long-term, irreparable physical and mental problems. Such problems inhibit or even prohibit these children from effectively participating in the development process as adults and may require costly long-term institutional care and public dependence. Frequently, such long-term problems can be prevented completely if the causes are alleviated or if the problem is identified and treated at an early age.

Second, Commission efforts in this area are based on a presumption that creation of an overall institutional capacity or agreements linking previously independent service organizations for purposes of providing a comprehensive range of services to children under six will result in the provision of a more complete, coordinated and appropriate set

Child Development
FY1970-1978
(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 436 Projects	$137	$112	$11	$44	$305	$305
• Comprehensive Child Development 178 Projects	88	86	5	32	212	212
• Planning, Technical Asst. & Admin. 124 Projects	19	13	2	3	37	37
• Maternal and Child Health 63 Projects	18	2	2	6	28	28
• Other (Const. & renov., Handicapped, Parent Training, Social Services) 70 Projects	12	10	1	4	27	27

of services than will their independent provision through separate agencies. As a result of the greater efficiency of a comprehensive approach, it is expected that the unit costs of delivering services to chidren will be lower. In addition, because a combined set of services is more complete and appropriate to the child's needs, it is expected that they will be more effective in meeting the problems currently faced by the Region's children.

In seeking to give all young children in the Region access to a comprehensive range of services, the Commission emphasized child development program planning through working with state agencies, since they are responsible for most public services for children and their parents and administer most federal programs that provide such services.

The states were encouraged to form interagency councils to plan and develop programs that would meet locally identified needs. Those councils were charged with the responsibility of developing a statewide plan for the coordinated delivery of services to children. This state planning effort gave the states an opportunity to: establish an interagency and multi-disciplinary basis to child development planning; make better use of other federal resources, especially Title IV-A; establish demonstration areas to conduct programs for better replication in the state and Region; emphasize prenatal care and services for all children to age six; and establish organizational patterns in states.

The emphasis on ARC-supported planning led to the linking of categorical services and filling critical gaps in state and local services. A distinct and unique aspect of the child development program has been the range of possible component services: family planning, prenatal and postnatal care, including related instruction; pediatric health services, including screening, diagnosis, treatment, education, and infant stimulation; parent education; protective services, special education for the handicapped and their families; center, family and foster care; mental health services; training and education for practitioners and transportation.

In FY 1974, which was the peak year in ARC dollars approved for the child development program, 241 programs or service components were reaching at least parts of 222 of 397 Appalachian counties. In the first three years alone of operating programs, more than 100,000 families annually were reached by the services provided. Approximately 85 percent of the services were provided to communities with a population of 10,000 or less. The program has provided employment for an estimated 5,000 Appalachians annually, and the day care programs alone have enabled about 5,000 parents per year to train for or maintain employment.

By the end of FY 1974, $69.1 million had been approved for child development. Total approvals ranged from $186,000 in FY 1970 to $25.5 million in FY 1974. Other federal funds have been a significant factor in the child development program. One of the unique features of the Appalachian funds has been the ability to use these funds to design a comprehensive program that otherwise would not have been possible under other categorical federal grant programs; and to allow states to draw down other federal grant monies that required local matching funds and that might have otherwise not been directed or attracted into the Region. From FY 1971 through FY 1974,$74.9 million in other federal funds were combined with ARC resources. These funds included: Title IV-A, Title XIX, MCH, WIN, Title I, ESEA, USDA, Head Start, and HUD. Between FY 1972 and FY 1973, the amount of other federal funds dropped significantly because of a change in Title IV-A regulations which severely reduced eligibility limits and the amount of Title IV-A funds available to many programs. The ARC, in FY 1973, picked up several service components that had previously been eligible for Title IV-A. On the average, each ARC dollar has directly affected the use of $1.20 from state, other federal, or local sources.

The 1975-1978 Focus

The 1975 ARDA amendments focused on providing services in underserved areas and increasing the cost-effectiveness of programs. As a result of the 1975 legislation, the ARC Code, Section 202, was revised with the following objectives:

- To initiate in underserved areas of the Region needed services for children under six and their families with an emphasis on comprehensive child care and the prevention of disease and disabilities.
- To improve and strengthen Appalachian state and substate capability to plan and implement services to minimize duplication and fragmentation and fully use existing federal and nonfederal resources.
- To test in the Region innovative approaches to the organization, delivery, and financing of services for children.

The 1975 Act places an emphasis on planning. Several of the states have taken a renewed interest in child development planning since the initial planning effort in child development was begun in FY 1970. In FY 1978, $967,000 was approved for child development planning and technical assistance. State level planning for child development usually starts at the local development district level. There, planners design human resource programs for specified counties and regions in relation to the state's overall goals. The State of New York is an example of the effective use of human resource planners at the local level. To foster their local development district planning effort, human resource and child development boards have been formed to provide local communities with persons who are knowledgeable of the social problems affecting the population.

Some states have located child development offices within an existing state agency or have created by state legislation a separate office for child development. In South Carolina a very strong state Child Development Council has been created by the governor and is responsible to him in carrying out his policies regarding child development.

In 1975, the Commission developed a project design and monitoring format to aid the states in planning and monitoring their child development programs. Though the Commission did not make this format mandatory, it is now used in eight states -- Georgia, Mississippi, Tennessee, Pennsylvania, New York, Ohio, West Virignia, and Kentucky. There is evidence that this format provides sound framework for program design because it is geared to alleviating specific problems or needs and encourages practical consideration about anticipated project outcomes.

The 1976 Code amendments placed a greater emphasis on the self-sufficiency of programs. To help early self-sufficiency of projects, Section 202 of the ARC Code was revised to include requirements for cash and requirements for self-sufficiency plans. The Code now requires all projects to have a minimum of 5 percent cash fron nonfederal sources in the first year of operations, a minimum of 10 percent in the second year; and a minimum of 15 percent in the third and subsequent years. The Code, however, does include a provision to allow a governor to request a waiver of this cash requirement if he and the federal cochairman concur that an in-kind contribution in lieu of cash is in the best interests of the Appalachian program. To further emphasize early self-sufficiency, the governors adopted a Code policy of limiting the number of years for ARC support to three. However, if the applicant can document that a fourth and/or fifth year is needed to complete the demonstration of the project, ARC support for these two years can be considered. Since the inception of this Code requirement, the number of fourth and fifth year projects has decreased significantly. In FY 1978, only 23 (15 percent) of approved projects were fourth year grants. The State of Georgia has established a maximum of two-year ARC support and Pennsylvania has established a three-year maximum as state plan policy.

The Code now has requirements for a self-sufficiency plan which is to be submitted with each initial project. This plan must include a detailed plan for future financial support and establish the period of assistance needed to insure earliest possible self-sufficiency.

In the summer of 1977, it became apparent that several projects approaching the end of their fifth year of operation were having difficulty finding an alternative source of funds to continue the operation of their respective programs. Because of expressed local community support, the ARDA was amended by the passage of P.L. 95-193 on November 18, 1977, to allow up to two additional years of ARC support if the Commission and the state determined that no other federal, state, or local funds were available to continue the project.

Under P.L. 95-193, in FY 1978, the Commission funded 50 projects for a total of $4,380,873 in the States of Alabama, Georgia, Kentucky, Maryland, Mississippi, North Carolina and Ohio.

In April 1976, Save the Children Foundation held a conference in Knoxville, Tennessee called, "State of the Child in Appalachia." The ARC cooperated in the planning of this conference, which brought together over 400 "grass roots" participants to discuss what needed to be done for young children in Appalachia. Many of the participants were attending a conference for the first time and it provided an opportunity for them to share ideas and viewpoints that are often overlooked in conferences geared to persons in policy roles and not actually delivering services on a day-to-day basis.

Again, in 1977, Save the Children sponsored a follow-up conference in Berea, Kentucky to once again provide an opportunity for "grass roots" persons to share ideas about the needs of the Region. Although the Commission did not provide direct administrative support for this conference, ARC staff participated in planning the meeting.

In November 1978, under joint sponsorship, the ARC and the State of North Carolina held a conference which focused on "Raising A New Generation" -- ages 0 to 8 years in Appalachia. Through a series of panels this conference encouraged governors' delegates from state, regional, and local agencies to explore ways of:

- strengthening families
- improving basic education skills of Appalachian children
- providing child care services for families that need them
- reducing infant mortality and raising healthy children

Future Directions

The recent conferences have given ARC recommendations that provided valuable guidance in determining strategies for future investments in child development. These recommendations have received careful study and several courses of action are to be decided upon at the spring Commission meeting.

The Commission's policy discussions focused on three areas -- Financing, Advocacy, and Program Development.

Financing. The Commission looked at factors which will enhance the long-term stability of child development projects and the Resolution before it is to:

- o Support a general five-year limit for Appalachian Act assistance to child development projects but with discretionary authority to continue support beyond that period upon state request for projects the Commission assisted in FY 1979.

Advocacy. The Commission can serve as an advocate for appropriate legislation affecting the lives of young children. It has the unique advantage of being a federal-state partnership with experience in funding over 25 different types of child development programs ranging from comprehensive day care services to more coordinated service delivery systems. The Resolution now before the Commission is to:

- o Strengthen its role as an advocate for the Region's children and their families. To carry this out, the Commission will seek and obtain public participation, conduct research and vigorously represent the interests of rural area and small cities in Appalachia in the development of national policies, legislation and programs affecting children and their families.

Program Development. From the beginning of the Commission's involvement with child development programming, technical assistance has been emphasized. The Resolution now before the Commission is the:

- o Allocation of up to $100,000 for use in FY 1979 for technical assistance to child development projects in the Region. This assistance will not only serve to improve the financial stability of projects, but will permit the states which have not had the opportunity to develop projects from limited available funds to extend needed services.

Natural Resources, Environment and Energy

The development and execution of ARC natural resources, environment and energy programs has been an evolutionary process characterized by an ability to be responsive and sensitive to shifts in national policy. The past 14 years have witnessed changing priorities and approaches to the development of natural resources in the Region. In general, the trend has been away from the more simple "cost-effective" development approach to maximize economic gains to one of a public stewardship of these resources. This stewardship seeks to manage natural resources not only to secure economic gain from development, but to do it in such a way that makes an environmentally sound contribution to regional development goals.

There is a natural resources paradox in Appalachia which serves as the backdrop against which programs are developed and implemented. The extent of natural resource reserves in the Region, particularly water and energy, well serve the economic development objectives of many parts of Appalachia. But the way these resources are developed and managed has in the past and could in the future aggravate a particularly important natural resource deficiency in Appalachia; namely land for economic and community development and land that must be managed and preserved to maintain the natural ecology and environment of the Region.

The evolution of Commission programs in natural resources, environment and energy began by focusing on particular facets of natural resource issues in the Region such as a study of water resource development projects, acid mine drainage projects, solid waste and timber development. As priorities and needs shifted and awareness of the natural resource paradox heightened, however, the programs began to converge -- not only in recognizing, for instance, the relationship between energy development and environment, but in understanding how these programs relate to other Commission program objectives. It is now this focus that guides the agenda of the energy, environment and natural resources program.

Program History: 1965-1975

The Commission's natural resources and environment-related activities have taken three major forms: (1) the mine area restoration, land stabilization, and timber development organization grant assistance programs; (2) the demonstration and Section 214 supplementary funding of solid waste, junk auto, small watershed, and high level photographic resource analysis projects; and (3) policy and technical research and technical assistance. A number of additional Commission programs directly affect the environment but have been viewed primarily in the context of other program area objectives. The Commission's water supply and sewage treatment program started under Section 212 authorization for sewage treatment facilities -- an authorization which was in effect replaced by the use of Section 214 supplementary funds in connection with a subsequently adopted basic federal water and sewer grant program. The Commission's primary policy concerning the use of these funds has been to view them mainly as part of a community development public facilities program providing infrastructure necessary for development rather than part of a regional water resource program. Solid waste projects have been funded both as part of a Section 202 health demonstration activity and as a Section 302 demonstration with a more distinct environmental focus. A related junk auto removal program has been undertaken with primarily an environmental focus using Section 302 funds.

Energy, Environment, and Natural Resources

FY 1966-1978
(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 110 Projects	$74	$0	$22	$0.4	$96	$96
● Mine Subsidence 22 Projects	30	0	12	0.3	42	42
● Land Stabilization*	19	0	0.03	0	19	19
● Mine Fire 40 Projects	16	0	6	-1	21	21
● Mine Drainage 9 Projects	4	0	3	0.1	6	6
● Strip Mine Reclamation 16 Projects	3	0	0.5	0.4	4	40
● Refuse Bank Reclamation 5 Projects	3	0	1	0	4	4
● Well Capping 5 Projects	0.3	0	0.1	0	0.4	0.4
● Timber Development 13 Projects	0.2	0	0	0	0.2	0.2

* Program was administered through individual contracts with farmers. Over 18,000 contracts have been signed.

Major accomplishments within these program areas are summarized below:

Mine Area Restoration: Under Section 205 of the Act the Commission can provide funds to seal and fill voids in abandoned coal mines, plan and execute projects for extinguishment and control of underground and outcrop mine fires, seal abandoned oil and gas wells, reclaim surface mine areas and mine waste banks on public lands, and control or abate mine drainage pollution. Projects funded by ARC can be divided into the following four categories:

- Mine Fire Control. The Commission has assisted 35 projects totaling some $15.3 million to combat the mine fire problem. All projects have been in Pennsylvania with 25 in the bituminous region totaling $1.3 while 10 projects in the anthracite totaled $14 million.

- Subsidence Control Programs. Twenty-one projects totaling some $25.6 million have been funded. Most projects have been in the anthracite region of Pennsylvania. Thirteen of the programs were in the northern field where there is a significant population and the threat of subsidence could have caused serious economic hardships to the people.

  Following Tropical Storm Agnes, Congress authorized the Commission to conduct research on the geological mining problems resulting from heavy rains and flooding. The Commission launched research and demonstration projects in three areas: (1) subsidence control, (2) landslide and land use, and (3) stream channelization and its impact on aquatic life. These were completed in in 1977.

- Surface Mine and Mine Refuse Bank Reclamation. A total of 17 projects have been funded for a total of $8 million. All the projects have been directly linked to the development of the Region by using the reclaimed land for such diverse activities as state parks, airports, schools, housing and industrial parks.

- Mine Drainage Pollution Control. The Commission's mine restoration authority was amended in 1971 to specifically include the abatement of mine drainage. These amendments enabled the Commission to take a more comprehensive approach to remedying mining damages. This program authority fully reflects a principle conclusion of the Commission's acid mine drainage study. The conclusion was that the abatement of one type of mining pollution should be part of a more comprehensive pollution control and environmental improvement program for the land and waters of the area affected.

  A total of 12 projects have been funded under Section 205 for acid mine drainage control and treatment totaling over $5.2 million. These projects contribute directly to the development of the Region through their effect on water supply.

Land Stabilization and Timber Development: The land stabilization program authorized under Section 203 provides contracts ranging from three to 10 years to furnish assistance to landowners, operators or occupiers of land in the Appalachian Region for land stabilization, erosion and sediment control, reclamation through changes in land utilization, and the establishment of measures for the conservation and development of the Region's soil, water, woodland, wildlife and recreation resources. To prevent scattering of effort, areas were required to be located in or to serve areas identified as having significant potential for future growth. The program has provided for the improvement of nearly 459,000 acres of land.

Section 204 established a program to assist in the establishment of timber development organizations (TDOs). The objective of the TDOs was to improve timber productivity and quality, and to increase returns to landowners by providing continuity of management, good cutting practices, marketing services, physical consolidation of small holdings and management of forest lands.

ARC authorized four TDO feasibility studies in New York, Kentucky, North Carolina, and Tennessee. These studies resulted in early implementation of programs in New York and Tennessee. These are not now supported by ARC. Kentucky currently has ARC funding for development of a woodland resources cooperative. The ARC has also supported development of a landowners association in northeast Mississippi. A new TDO is being developed in a four-county area of North Carolina for the purpose of supplying wood for energy production.

Environmental and Resource Needs

In addition to the natural resource and environmental programs specifically identified in the statute, the Commission has established several special demonstration programs and used Section 214 supplementary grant assistance to meet specific environmental and resource needs. These special demonstration and Section 214 programs have included: rural solid waste disposal and bulk collection and junk car removal, watershed development, and high-level photographic resource analysis.

Because of the nature of the environment and natural resources emphasis of the Appalachian Act, the Commission's natural resources activities have emphasized research and technical assistance to a greater extent than the other program areas. The purpose has been to identify the major policy issues facing the Region and to provide the necessary background information and analysis to permit the Commission to adopt and support energy, environmental and natural resources policies and priorities. In some cases, this policy and technical research activity has resulted in new programs for the Commission. More frequently, it has resulted in the Commission actively working with public and private agencies to assist them in adapting their programs and activities to respond to regional priorities.

Initially, the Commission's basic grant assistance environment and natural resources activities were designed to meet immediate problems resulting from resource exploitation and tended to operate on a program-by-program, project-by-project basis. Similarly, the special demonstrations and supplementary grant assistance tended to respond to immediate identified means in order to fill gaps in existing programs. It became increasingly apparent that a coordinated program of research was needed to identify more comprehensive approaches to environmental and natural resource problems in the Region. It was felt that the result would be twofold. First, the Appalachian Commission, with limited direct financial assistance available, could serve as a forum for identifying Appalachian environmental and natural resource objectives and priorities while using its program funds to complement and fill in gaps in other available programs. Secondly, such research could underpin the development of effective ARC programs and provide the context within which environmental and natural resource development impacts of Commission investments should be considered. A number of broad studies of this nature have been undertaken. Some examples are:

- Acid Mine Drainage. An amendment to the Act directed the Appalachian Commission to study the need for desirability of, and conditions upon which a public and private program dealing with acid mine drainage should be implemented. As a result of the study, the Commission recommended that any action program for controlling and abating acid mine drainage from abandoned mines should be part of a more comprehensive pollution control and environmental improvement program for the lands and waters in the affected areas. In order that the benefits from acid mine drainage abatement not be negated by the presence of other land and water pollution in the same area, any program should deal with the entire network of direct environmental impacts within the overall environmental system of the area.

- Monongahela River Basin Study. The Monongahela River Basin Study was a research and demonstration project aimed at applying the principal finding of the earlier study by showing the possible impacts of a coordinated river basin environmental cleanup on economic development. Including a number of components, this interstate multiagency effort was directed at combining the objectives of economic development and environmental enhancement. The study developed a procedure for the evaluation of alternative projects that combines these two objectives and it includes engineering plans for the first projects to be undertaken.

- Coal and Energy Studies. Following the acid mine drainage study, the Commission's efforts in coal research were directed to the human resource problems associated with coal mining. Specific emphasis was placed on occupational health and manpower programs and on the development of improved mining practices and control techniques for surface mining to minimize adverse environmental effects. Initial activities clearly indicated that the cost of undertaking programs in the health, manpower and environmental fields would be quite high. It was determined that ARC funds and interests might best be used on a selective basis to augment and complement other investigations, research and demonstrations supported by federal and state agencies. To determine where best to use ARC funds and influence, it was decided to undertake initially a broad assessment of some aspects of coal-related programs. A coal-related research program consisting of three major areas was undertaken: (1) public policy, particularly regarding environmental protection and its impact on the Region's coal industry; (2) manpower needs and manpower training for the coal industry; and (3) health and safety aspects of the industry. These three study areas reflected issues that were in the forefront at the time.

In late 1972 and early 1973 a special FY 1973 and FY 1974 environmental budget was developed to provide logic, coordination and environmental thrust to a variety of activities funded under the Commission's research program. This initiated a process of management of environmental research activities across program authority lines. These management objectives were supported through staff reorganization, strengthening technical assistance to the states and local development districts, and coordination with those federal agencies responsible for environmental programs.

The 1975-1978 Focus

Energy

The oil embargo and other energy events of 1973-1974 called for a reassessment of the Region's coal industry and its place in the national energy picture. The Commission paid concentrated attention to the need for an energy policy for the Region as an integral part of the development of national energy policies. An inquiry was begun into the effects on coal development in Appalachia of alternative national and international policies and on the Region as both an energy supplier and consumer. This specific effort has provided a system that is now part of the national assessment of the regional implications of energy policies and activities.

The 1975 amendments to the ARDA specifically addressed the energy issues facing Appalachia and provided a framework for the Commission by which it could focus its future energy initiatives and activities. Section 2 of the Act (Findings and Statement of Purpose) was expanded to include mandates for the Commission in responding to both the short- and long-term effects of fundamental changes in national energy requirements and production. Specifically, Congress outlined the Commission's role in energy to include:

- anticipating the effects of alternative energy policies and practices;
- planning for accompanying growth and change so as to maximize the social and economic benefits and minimize social and environmental costs; and
- implementing programs and projects carried out in the Region by federal, state and local governmental agencies so as to better meet the special problems generated in the Region by the nation's energy needs and policies, including problems of transportation, housing, community facilities and human services.

The Commission has responded to this mandate with the development of specific policies and program initiatives as well as the implementation of several important energy-related programs.

Over the past three years the Commission has on several occasions, most notably at the Balanced Growth Conference, formally recognized and affirmed its role in both the development and execution of a national energy policy and national energy plan. At the heart of this policy, most recently reaffirmed by the Commission in November 1978, the Commission has recognized:

- that the nation must necessarily look to Appalachia's coal and other natural resources to meet national goals for energy independence;
- that additional public infrastructure will be needed for development as a consequence of accelerated coal production;
- that the unique federal/state partnership embodied within the Commission provides the mechanism to development and implement regional energy programs and to provide mechanisms to coordinate investments related thereto;

- that there be a long run need to develop renewable energy resources in order to husband and protect nonrenewable energy resources; and
- that future energy plans affecting the environment of the Region must reflect that natural resources are limited and the environment is fragile.

Concurrent with the development of this policy, the Commission undertook a series of actions in fulfillment of the new energy mandate:

Assessment of Coal Conversion Potentials. The Commission has provided funds to perform technical, economic and environmental feasibility assessment for establishing coal conversion facilities within the Region. It has sponsored regionwide assessments, as well as subregional analysis for particular energy conversion opportunities. Currently, assessments of potential feasibility of coal gasification in western Maryland and the Johnstown area of Pennsylvania are underway. Previous assessments in Pikeville, Kentucky and Hazelton, Pennsylvania have led to joint funding of demonstration facilities with the Department of Energy and the Economic Development Administration of the Department of Commerce. facilities.

Long Haul Energy Transportation. Marketing of Appalachian coal demands an efficient operating transport system. Concern over deterioration of regional highways and rail lines, and the congestion and aged condition of particular locks and dams within the Ohio basin led to sponsorship of a number of studies to assess overall regional transportation capacity to move energy and other commodities. Rail, highway, and waterways probably have sufficient existing capacity or plans to expand capacity to adequately service coal and other commodity shipment needs along main transportation corridors. Additional capacity needs, and replacement of particular locks and dams upon the Ohio, Monongahela and Kanawha Rivers were indicated.

Coal Haul Roads. The distribution system of coal haul roads and branch rail lines feeding the main transportation corridors continue to be of concern. Deterioration in pavement and track conditions, increased costs of repairs to highway and rail maintenance departments, and declining service to the public and to coal operators are symptomatic of these problems. ARC sponsored assessment of problems with coal haul roads and is currently examining the problems of rail abandonment and service by light density rail lines to coal and other shippers. It is collaborating with the Federal Highway and the Federal Railway Administrations in further analysis of program needs to address these problems.

Energy Technology Assessment. ARC is continuing its evaluation of future environmental problems associated with energy development. ARC and the Environmental Protection Agency are jointly sponsoring a regional technology assessment to anticipate the economic, social, and environmental issues likely to arise from development of energy resources in the Region.

Energy Impact Assistance. Through grants to energy impact areas, the Commission has provided planning assistance to local and regional planning agencies for anticipating and planning for growth associated with nuclear and coal development.

Two of these grants are now underway in Wayne County, West Virignia and Cherokee County, South Carolina. The Wayne County project began because a large mine was under construction and a few more were likely to open in the coming years. The Cherokee County project aims to help in the mitigation of adverse impacts of the construction of a nuclear power plant. In both these cases, ARC sought and secured the cooperation of the Department of Energy. This cooperation comes in the form of analytical expertise in data collection and analysis. Assistance provided by ARC enables the local elected officials to obtain information on the magnitude and location of impacts as well as possible means to alleviate the adverse impacts.

Energy Conservation. Commission funds have also been used in a number of conservation projects. One of these has related to development of energy conservation plans for health care facilities in South Carolina. Another explored the possibilities of energy conservation in industrial buildings in New York.

Resource Recovery from Waste. Several projects have been funded to investigate the prospects of resource recovery from solid waste. A project in Virginia, for example, looks at the feasibility of resource recovery from solid waste in the Mount Rogers Development District. Similar projects explore the possibility of setting up a resource recovery system in Appalachian South Carolina and Pennsylvania.

Coal Productivity Seminars. The Commission sponsored and coordinated a series of 11 seminars which focused on issues of concern to the President's Commission on Coal. At the invitation of the Appalachian Regional Commission, spokespersons for labor, the coal industry, academic institutions, and research concerns convened and discussed coal-related issues.

The panelists examined a range of issues affecting coal mine productivity including education and training in the coal industry, alternatives to coal-haul roads, prospects for metallurgical coal markets, power plant permitting, land acquisition for housing in Central Appalachia, industrial coal conversion, and environmental health in coal-impacted communities.

Development of Plans in Coal States for Surface Mine Restoration. The ARC and the Office of Surface Mining have agreed to develop a model plan to serve as a guide for Appalachian and other states in the development of state plans for reclaiming abandoned mine lands.

Energy Guidance Council. To assist the Commission in carrying out its energy policies and to further develop and implement specific energy programs, an Energy Policy Guidance Council was established in early 1978. The Council is made up of representatives from the Federal Office and the energy offices of each of the Appalachian states. The Council, meeting on a regular basis, has helped the Commission develop guidelines for focusing ARC energy program initiatives.

Natural Hazards

A 1975 amendment to Section 302 directed a study of physical hazards that are constraints to land use and the risks associated with these hazards. It was to include identification of high-risk hazard areas throughout the Appalachian Region and give strong emphasis to mudslides, landslides, sink holes and subsidence.

This study has been completed and submitted to Congress. It provides a systematic inventory for all Appalachian counties of occurrences of floods, subsidence, landslides, tornadoes, and other major natural hazards and an analysis showing how these occurrences affect the basic process of economic development and growth. The major finding is that although loss of life and property has on a number of occasions caused severe short-term problems, particularly in the case of flooding, the impact of these and other hazards has not materially deterred long-term development.

The major recommendations of the study call for ARC to give priority to a policy of encouraging development in areas where natural hazards are unlikely to occur, recognizing that while this process takes place, ARC will need to continue to emphasize mitigation efforts to protect existing populations in hazard-prone areas. The Commission has adopted this approach as the major component of its policy on natural hazards.

Ironically, as the Commission was proceeding with the study in 1977, major destructive floods affected a 45-county area in Central Appalachia, Johnstown, Pennsylvania, and a 16-county area in western North Carolina. In each of these cases the Commission has provided funds to develop long-term recovery plans. Further, in the Central Appalachian flood area a special flood recovery project staff, jointly funded by ARC and the affected states, has been established in Pikeville, Kentucky. In connection with this effort, ARC and NOAA are jointly funding the development and implementation of a flash flood warning system. This system will serve as the nucleus for the development of a full scale flood warning system for the entire region in the next several years. A special effort has also been made using ARC and EDA funds to start a clearing and snagging effort in the Tug Fork basin. Over the long run, ARC, working with agencies such as HUD, FDAA, the Corps of Engineers and others, hopes to begin efforts to identify and develop flood-free sites in Central Appalachia as an alternative to further development in floodplains.

Agriculture and Forestry

A noteworthy recent effort was the convening of two meetings of state and federal personnel involved with agriculture and forestry. As a result of these conferences, the Commission, at its November 1978 meeting, adopted a resolution establishing a policy and implementation program to address the agriculture and forestry needs of Appalachia. This resolution is aimed at the needs of the small and often limited resource farmer and landowner. It specifically addresses marketing, education, technical assistance, the need for demonstrations, and the important advocacy role of ARC to assure supportive action from other agencies.

While the Commission has continued to fund timber development organization demonstrations in Mississippi and Kentucky, it has taken a significant further step by funding several demonstrations of the use of low-grade hardwood timber for energy generation. The Region is heavily stocked with low-grade timber and this resource needs intensive management and replacement if the Region is to produce high quality timber for home building, furniture, and other wood products. In this regard, the Commission has participated with TVA in a demonstration of wood pyrolysis to produce heat at Maryville College, Tennessee, and a grant to the Georgia Forestry Commission has implemented a demonstration of wood gasification at a public institution in Rome, Georgia. The North Carolina Department of Energy is using a grant to establish a new timber development organization to provide wood chips for energy production at Western Carolina University, and to set up a program to encourage industries to convert to wood for energy. New York State is engaged in an effort to set up an organizational structure (possibly a sophisticated timber development organization) for both the harvesting and use of low-grade hardwoods, including sale of timber for energy production, which maximizes income generation for forest landowners.

The future holds more active involvement by ARC and continued funding of "wood for energy" demonstrations seems likely. Pennsylvania and Virginia have shown interest and more intense interest by timber development organizations to supply wood for energy seems to be developing.

Since consideration and adoption of the ARC agriculture and forestry policy resolution, additional new opportunities have surfaced. Interest has been shown in addressing new and innovative livestock marketing techniques for small farmers, demonstrations of farm energy-saving techniques, and production of on-farm energy from cattle and poultry manure. There is also interest in demonstrating economically viable techniques for operating small farms as well as production of specialty crops and horticulture products.

Future Directions

The future direction of the energy, environment and natural resources programs of ARC will, to a great extent, center on extending the activities that have characterized the 1975 to 1978 period. Increasingly, attention will be given to ways in which a resolution can be achieved at the point where resource development may conflict with resource stewardship. In this regard, the Commission program must proceed on the basis that mitigation of environmental harm and environmental enhancement can go hand in hand with natural resources development that serves both national and regional interests. The Commission believes that this approach will provide the basis for achieving the needed consensus. Given the pressures that are building for both increased energy production and stricter enforcement of laws and regulations protecting individual and community health, this kind of consensus is needed.

Specific program initiatives for energy, environment and natural resources in the future will focus on the following types of activities:

- A priority consideration is development of Appalachian coal in ways that consider environmental and conservation objectives and that focus financial benefits of coal development on regional economic development. With the often repeated charges that coal mining has been an exploiter of land and people in the past, the Commission has a strong responsibility to assist its member states in assuring that the new opportunities for accelerated coal production to meet the energy needs of the nation may serve in a new sense as a basic generator of sound development and conservation;
- Assist with research to discover what unknown, underexploited Appalachian gas and oil resources may be available to the Region and the nation;
- Investigate means to accelerate the commercialization of new energy technologies;
- Assist the member states in the development of plans and programs related to energy impact assistance;
- Provide assistance to member states so that they may fully participate in the various surface mine reclamation programs of the Office of Surface Mining. The Commission will work closely with both its member states and the Department of the Interior to take full advantage of these programs and facilitate the development and reclamation of lands for community development purposes;

- Assist states in taking full advantage of EPA programs for the development of alternative wastewater treatment systems for rural areas;
- Continue to examine approaches for long-term flood recovery;
- Seek ways to advance water resources availability in the Region to meet increasing energy development and conservation needs;
- Continue to work closely with EPA in analyzing the impacts of environmental regulations on the Region; and
- Continue to seek ways to more fully develop the special potential of the Region's agricultural and forest resources.

COMMISSION AND STATE RESEARCH AND LOCAL DEVELOPMENT DISTRICT ADMINISTRATIVE SUPPORT

Commission and State Research and Technical Assistance

Solutions to many of the Region's unique physical, social and economic problems have not been easy to find. In an effort to test some possible solutions, try out new methods and evaluate present methods of stimulating growth and development, the Commission has turned to research, demonstrations and technical assistance.

ARC research activities play a direct role in program planning and development. Much research, for example, is directed toward providing policy guidance with respect to program priorities or to selection of areas for special program emphasis. Research activities already funded have had objectives such as identifying the Region's problems and resources, designing potential programs, projects and investment opportunities, and strengthening governmental capability within the Region to respond to needs. Some research indicates whether or not a particular potential may be worth pursuing. Some research provides information and data not available eslewhere.

As part of its effort to determine what changes are occurring in the Region at any given time, the Commission maintains current statistical information on population changes, per capita income and employment and unemployment figures for the Appalachian states. Current information on these indicators can be of great importance to states in determining the desirability and validity of proposed projects. Much of this information, together with some statistics on education, health, housing, natural resources and local governments, was included in Appalachia - A Reference Book, published by the Commission during fiscal 1977.

Research instigated by the states has tended to focus on local conditions and problems, in contrast to the broader approach of Commission-instigated research, which has concentrated on problems having Appalachia-wide significance. Some of the state research projects have been developed at the state level, others at the local development district level, and occasionally some at the county or municipal level.

Demonstrations are designed to assess the feasibility of various program approaches proposed through research, program development or other activities and are therefore funded for limited periods of time only. Approaches that have not yet proven themselves in a variety of settings and situations can be tested adequately in demonstrations. Often activities that began as demonstrations prove sufficiently worthwhile either to be picked up and funded by appropriate state and local agencies or to be incorporated into ongoing Commission program areas.

Research and demonstrations thus assist the Commission itself or its member states to arrive at more intelligent decisions in program and policy areas. In addition to this form of assistance, member states are able to receive technical assistance from the Commission -- staff or financial assistance to meet special problems and fill particular needs that arise in connection with administering the program at the state, district and local level.

The basic objective of all ARC research, demonstrations and technical assistance has been to assist the Commission and the Appalachian states to accomplish the objectives of the Act and a wide variety of projects has been funded by the Commission, ranging from Tropical Storm Agnes relief through recreational studies to use of a telecommunications satellite in teacher training. Each year the Commission allocates funds for use in selected research categories. For FY 1979, these categories were: Evaluations;

Regional Analyses; Human Resources; Energy, Environment and Natural Resources; and Community and Enterprise Development. Projects requested in these categories are then analyzed and weighted by a Research Committee according to a set of adopted criteria. Selected projects are then recommended to the Commission for approval and funding. This process is designed to generate research that supports the Commission's mission in two basic ways:

- o to show how Commission programs in community development, energy, health, education and other areas can better accomplish their objectives; and
- o to study issues that are assuming importance in the Region to learn how the Commission's programs and policies can best be adapted to respond to changing problems and needs.

Research, demonstrations and technical assistance are integral parts of program administration and program application. For example, New York, Ohio, Pennsylvania, Tennessee and Virginia have used demonstration funds to confront the problem of rural mass transportation. Since the natural resource program activities of the Commission have been expanded and new emphasis has been placed on energy and environmental programs, these activities have had priority claims on the use of research, demonstration and technical assistance funds.

In addition to activities like these, which fall naturally into specific program areas, a number of the Commission's research, demonstration and technical assistance activities either fall in new areas or cut across individual program areas to support broader Commission responsibilities. The development of new programs, planning and policy development activities, and the strengthening of governmental capability are examples of this type of assistance.

An illustration of research aimed at developing new programs and policies is the recently begun study of settlement patterns in the Region. This research study will examine and document the changes in settlement patterns and assess their impact on the need for and ability to provide public services. It will consider what strategies could be followed to respond to these different patterns. The study consists of two major parts. One will develop data to define more clearly the distribution of "urban" and "rural" residents within the Region and set forth proposals for the application of the data to federal grant program eligibility, requirements and fund allocation policies. The other will investigate the effect of settlement patterns on the net cost of providing public services and will develop alternative program policies to respond to, or influence, emerging settlement patterns.

A recently completed study, "Capital Impacts of Energy and Energy-Related Development in Appalachia", was designed to determine whether Appalachian communities accommodating new energy facilities would be faced with public and private facility investment requirements beyond their financial capabilities. The following quote from the study shows how research efforts can flag areas of future policy and program concern.

> "In summary, locally generated public capital is unlikely to be adequate to support Appalachia's growing population during the near future. The provision of new public services would cost about $1 billion if typical public service standards for the region are to be maintained. About one-fifth of this cost is directly associated

> with energy development. However, public revenue growth due to energy development is expected to be relatively meager. Private investment may approach $6 billion during the same period, of which one-fourth will be available from local financial institutions. While national capital sources will be sufficient for most of the remainder, shortfalls are expected in the availability of capital for housing. In both public and private sectors, capital shortfalls will most severely affect Central Appalachia of the three subregions."

A demonstration project with potentially important energy implications is being carried out in Tennessee. This project, which will be managed by the Tennessee Valley Authority, will test and demonstrate a process under which wood residues undergo pyrolysis (are burned without oxygen) to produce low-Btu gas, oil and charcoal. The pyrolysis unit to be tested will produce gas and oil that can be burned in the oil/gas boiler system of Maryville College in Maryville, Tennessee, after minor boiler modifications, and will supply the college's energy needs. Charcoal produced in the process can be sold on the open market. Wood of varying sizes, species and moisture content will be tested as the raw material, and eventually other organic materials such as agricultural wastes will also be tested in the unit.

If the demonstration is successful, fuel obtained from wood pyrolysis systems could replace gas and oil requirements for institutions and industries that have access to low-cost wood supplies. This would also provide a market for wood-processing residues and unmarketable timber products. Other side benefits would include better forest management and the creation of jobs.

An example of the use of technical assistance funds occurred when Virginia's New River Valley Planning District sponsored a liaison planner project. Four counties and four towns in the LDD participated in the project, which was aimed at improving the working relationship between the LDD and the local governments and giving the local governments greater ability to plan for and manage development within their areas of jurisdiction. During the program the liaison planners identified the specific needs of each jurisdiction and ran bimonthly training sessions on such topics as zoning, housing, problems of the aging, community health planning and air photo interpretation. These training sessions stimulated cooperation among the jurisdictions in a number of activities, including the development of a human services delivery system among three jurisdictions that may be expanded to cover the entire LDD. The LDD and the liaison planners also prepared a comprehensive plan for a multicounty emergency medical service system.

Research expenditures since 1965 are shown on the table on page 120.

Local Development District Administrative Support

The local development districts (LDDs) are the Region's tool for pooling the resources of local governments and jointly accomplishing goals that would be beyond the reach of individual communities. The districts represent a way of seeking districtwide solutions to districtwide problems. The LDDs (see list and map in the Appendix) now cover the entire Region. There are 69 of these organized, operating multicounty agencies in Appalachia, all receiving administrative support from ARC.

The LDDs are essential to the total ARC development planning process and are making an increasingly important contribution to the development of coordinated investment policies. They are in a unique position to bring together the area's citizens, private enterprise, local governments and the state to identify and capitalize on the special opportunities within their borders.

The Commission's local development district administrative support program assists the local development districts in carrying out a wide range of activities:

- o General planning and programming for areawide economic, physical, and social development (e.g., incorporating new federal energy initiatives into ongoing programs).
- o Detailed research on areawide resources, problems and potentials (e.g., the effect of transportation on the local coal industry).
- o Specific assistance to local governments and others in the development of joint proposals for grant-in-aid support (ranging from simple application procedures to joint funding arrangements).
- o The assurance of adequate, effective public participation in the district development process (e.g., the areawide action program).
- o Coordination, review and priority ranking of projects seeking public funding (e.g., the areawide action program).
- o Assistance and encouragement to private service and manufacturing industries seeking a location (e.g., the enterprise development program).
- o Technical planning services to local governments (e.g., land use, housing, transportation, regulations, capital improvements).
- o Maintenance and encouragement of areawide cooperation and development of cost sharing services (e.g., a "floating" town manager or other technical/professional people for use by several small communities).

In all of the states, the districts are formally recognized as the areawide "umbrella" organization for the Region, and are responsible for the A-95 review activity. Appalachian development planning by the states has increasingly drawn upon district resources and plans. The districts are called upon by the Commission, by the states, and by their local constituencies for technical assistance in public finance, management, planning and for general program activities, and they are expected to be involved in the planning, development coordination and facilitation of areawide program and project

LDDs, Research, and Technical Assistance
FY1966-1978
(Millions of dollars)

	ARC	Other Federal	State	Local	Total Eligible Cost	Total Project Cost
Program Summary 1,110 Projects	$91	$7	$7	$27	$132	$132
• LDD Planning and Administration 90 Projects	43	0.1	2	14	59	59
• State Research 331 Projects	17	1	4	9	30	30
• Commission Research 303 Projects	8	0.4	0.03	0.1	9	9
• Environment & Energy 127 Projects	11	4	1	2	18	18
• Flood Relief 29 Projects	3	1	0.2	0.2	4	4
• Planning and Development 67 Projects	2	-	-	0.1	3	3
• Program Design 62 Projects	2	-	-	-	2	2
• Other Research and Tech. Asst. 101 Projects	5	0.2	1	2	7	7

efforts. The adoption of a single allocation to the states for regional development placed new demands on the Commission's development planning process and the role of the districts in identifying program possibilities. The Commission will continue to work with states and districts to strengthen the districts in formulating a single areawide action program for the districts in order to bring together into one program as many priority projects and funding sources as possible. This effort increases the impact of Appalachian funds and priorities in contributing to the development of the districts. This also strengthens state-local linkages and assures the development of a state plan with strong local input.

The districts have readily accepted these responsibilities. Until the 1975 amendments, official recognition of districts was limited to general provisions in the statute authorizing financial support and providing for certification of districts. The 1975 amendments have provided clear statements of the district's role and responsibilities, and a strong basis for negotiating with federal agencies to encourage common designations or require establishment of formal relationships among areawide agencies.

IV. PROPOSED BILLS

This section contains the following information:

A. Extension Legislation

1. Key Elements of Extension Proposals
2. Administration Proposed Bill
3. Section-by-Section Summary
4. Draft Bill Endorsed by ARC Governors, May 1978
5. Section-by-Section Summary

B. National System of Regional Development Commissions

1. Preliminary Draft Bill Endorsed by ARC Governors, May 1978
2. Summary of Principal Provisions

A. EXTENSION LEGISLATION

1. Key Elements of Extension Proposals

Several major conclusions regarding future directions for the Commission's development strategies and programs came out of the extensive series of state and local development district public meetings, state and regionwide conferences, and Commission meetings held since the 1975 amendments:

- The authorized Appalachian Development Highway System must be completed to contribute to the continued development of the Region.
- While continuing to make progress in its human resources program, the Commission must be better able to respond to the needs of the people in isolated, hard-to-reach, underserved areas and in emerging small communities in the Region.
- The Commission must help the Region contribute to meeting the nation's energy needs and take steps to secure special assistance for those areas impacted by energy development.
- The Commission must be better able to provide encouragement for the continued success of small businessmen, small agricultural enterprises and other private enterprises which provide jobs and income opportunities.
- The provision of adequate housing continues to be a major problem in the Region with the acquisition and development of housing sites of crucial importance.

The Commission is committed to responding to these concerns and is proposing a number of amendments to our authorizing Act.

The Commission is recommending two small but significant changes in the findings and statement of purpose of the Act. The existing provision that public investments are to be concentrated in areas where there is a significant potential for future growth is amended to affirm that such potential may be exhibited by emerging small cities and by areas affected by energy development. Language is also added to make clear that one of the fundamental purposes of the program is the provision of services to people in the Region, including those in remote, hard-to-reach areas where there are special problems in providing such services. This elaborates on a 1975 amendment which declared that, while substantial progress has been made in the Region, especially in the provision of essential public facilities, much remained to be accomplished in the provision of essential health, education, and other public services.

A proposed amendment to Section 202 of the Act would provide clear and explicit program authority to address the acute need for provision of human services and facilities to people in underserved and remote or hard-to-reach areas and areas impacted by energy development. The objective of this amendment is to make authority available to the Commission to provide direct support through the states for innovative projects and demonstrations of packaging and delivering a range of human services and related public facilities. Under the proposed approach, the Commission would make grants available directly to the states to develop demonstration programs in conjunction with their local development districts and other appropriate local agencies. The initiative for packaging a number of programs would thus be provided at the level of government closest to the people and best equipped to respond. Efforts cutting across traditional program lines can be developed and would provide coordinated services to those who need them.

This authority would be used particularly where insufficient federal grant funds are available, where there is no federal agency authority, where the innovative risks inhibit federal agency participation, or where federal agency practice or policy favors larger projects or different types of projects. For example, a packaged program which would include a variety of health and education services could be combined in one grant application. Moreover, ancillary needs such as transportation, utilities, and other public services for users could also be included.

By working directly with the states, this approach permits those packaging the programs to proceed unhampered by the conflicting requirements of the wide range of program authorities which would otherwise have to be used. Although no one of the conflicting or limiting restrictions might appear to be significant or difficult to overcome, cumulatively the range of requirements is enough to add administrative burdens, consume time, and postpone final operation long enough so that projects never get underway.

Restrictions in the present authority for Commission low- and moderate-income housing assistance programs limit its ability to carry out its program effectively. Site purchase is a critical element in project success. The present restriction which limits site and offsite improvement costs to 10 percent of the total project costs has become completely unrealistic in Appalachia, especially in remote areas and on rocky, steep terrain where such costs frequently exceed 25 percent of total project costs. This situation is precisely the condition obstructing residential development in coal-producing areas. The proposed amendment would lift present restrictions by permitting ARC assistance for site purchase and removing the ceiling on the costs eligible for site and offsite improvements.

The Commission is also proposing an amendment to help deal with the needs of small businessmen, small farmers, and other private enterprises. Business development in the Region has labored under two severe handicaps. First, federal programs that have supported technical assistance to small businessmen and small agricultural enterprises have been unable to adequately serve rural areas of the Region because of limited federal resources. Secondly, those financial resources available have been concentrated in support of the dominant industries.

The Commission's response to these problems has been to establish a technical assistance program designed to provide active support for the establishment and expansion of small private enterprises. A proposed amendment would enable the Commission to follow up more fully on the business development potentials in its current efforts. It would permit grants to states for establishing revolving funds to be used for loans to small businessmen, small farmers, timber operators, and arts and crafts enterprises. This loan approach is not new to the Commission. The state Appalachian housing program, authorized by Congress, has provided the Commission and its member states with experience in administering such programs.

Other amendments proposed by the Commission extend the Commission and its nonhighway program through September 1983 and its highway and access road program through September 1985. The amendment to current highway program authority merely continues current authorization levels so that work can progress on the authorized highway system.

2. Administration Proposed Bill

AN ACT to extend the Appalachian Regional Development Act of 1965. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SEC. 101. This Act may be cited as the Appalachian Regional Development Act Amendments of 1979.

SEC. 102. Section 2 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.2) is amended as follows:

(1) The fifth sentence of subsection (a) of such section is amended by inserting "including the provision of services to people in the region, and in distressed cities and communities in which the economic base of earlier days has deteriorated" after "special problems,".

(2) The sixth sentence of subsection (a) is amended to read as follows: "The public investments made in the region under this Act shall be concentrated in areas where there is a significant potential for future growth, including emerging small cities and urban centers, distressed cities and communities, and areas affected by energy development, where the expected return on public dollars invested will be the greatest, and in remote and hard-to-reach areas where there are special problems in providing for human service needs".

SEC. 103. Subsection (b) of Sec. 105 of the Appalachian Development Act of 1965 (40 App. U.S.C.105) is amended to read as follows:

"To carry out this section there is hereby authorized to be appropriated to the Commission, to be available until expended, such sums as may be necessary."

SEC. 104. Paragraph (7) of Sec. 106 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.106) is amended by striking out "1979" and inserting in lieu thereof, "1983".

SEC. 105. Section 201 of the Appalachian Regional Development Act of 1965 (40 App. U.S.C.201) is amended as follows:

(1) The third sentence of subsection (a) of such section is amended by striking out "three thousand and twenty-five miles" and inserting in lieu thereof "three thousand and fifty-eight miles.

(2) Subsection (g) of such section is amended by striking everything after "1979", and inserting in lieu thereof: "$300,000,000 for fiscal year 1980; $300,000,000 for fiscal year 1981; $300,000,000 for fiscal year 1982; $300,000,000 for fiscal year 1983; $300,000,000 for fiscal year 1984; and $300,000,000 for fiscal year 1985.

(3) Subsection (h) of such section is amended by striking "70 per centum" and inserting in lieu thereof "80 per centum".

SEC. 106. Section 202 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.202) is amended by adding at the end the following new subsection:

"(f)(1) After consultation with the interested Federal agencies, the Commission may make grants to the States, including grants for reasonable administrative expenses, for innovative projects and for demonstrations approved pursuant to Section 303, of methods and techniques for meeting human services needs of individuals and families in the region which the Commission determines cannot reasonably be accomplished under other provisions of this title, and shall give special emphasis to demonstrations serving people in the more remote and hard-to-reach areas of the region and in areas impacted by energy development.

"(2) States may carry out such demonstrations directly, or through the employment of private individuals or firms under contracts entered into for such purposes, or through arrangements with public bodies and private nonprofit organizations.

"(3) Demonstrations may be funded entirely from appropriations to carry out this Act or in combination with funds available under other Federal grant-in-aid programs or from any source. Notwithstanding any provision of law limiting the Federal share in any such other program, funds appropriated to carry out this subsection may be used to increase such Federal share as the Commission determines appropriate for up to 100 percent of the cost of any component of a project for the first two years and 75 percent thereafter. No component of a demonstration shall receive financial assistance under this title after five years following the commencement of the assistance for such component."

SEC. 107. Subsection (d) of Section 205 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.205) is amended by striking everything after "facilities" and inserting in lieu thereof "and housing, or industrial, commercial, or other economic development purposes."

SEC. 108. Subsection (c) of Section 207 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.207) is amended as follows:

(1) Subsection (c)(1) is amended by inserting "technical assistance" immediately after "incident to"; and

(2) Subsection (c)(2) of such section is amended by: a.inserting "acquisition and" after "site", and

b. striking everything after "section".

SEC. 109. Title II of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.) is amended by inserting after Section 208 the following new section:

"BUSINESS, AGRICULTURAL AND FORESTRY ENTERPRISE DEVELOPMENT ACTIVITIES"

"SEC. 209 (a) In order to assist in stimulating business and natural resources activities in the region, the Commission is authorized, notwithstanding Section 224(b)(2), (3), and (4), to make grants approved pursuant to Section 303 to the States, including grants for reasonable administrative expenses, for --

"(1) Aiding state and local governments and other public bodies in programs of business related technical assistance including entrepreneurial development, management advice, market analyses, and utilization of financial feasibility studies; and

(2) Establishing non-federal revolving funds to be used for business, agricultural and forestry enterprise development loans, with special emphasis on loans furthering development opportunities for entrepreneurs that are identified through technical assistance activities under this Act, with consultation of interested Federal agencies."

"(b) States may carry out such activities directly, or through the employment of private individuals or firms under contracts entered into for such purposes, or through arrangements with public bodies and private non-profit organizations.

"(c) Assistance under this section may be funded entirely from appropriations to carry out this Act or in combination with funds available under other Federal grant-in-aid programs or from any source.

"(d) No grant to a state shall be used for more than 80 per centum of any loan approved more than three years after the date of the initial grant to such state under subsection (a)(2), and the remainder of any such loan shall be in cash or in kind fairly evaluated, including but not limited to sites, space equipment and services."

SEC. 110. Subsection (c) of Section 214 of the Appalachian Regional Development Act of 1965 (40 App. U.S.C.214) is amended as follows:

(1) The first sentence of such subsection is amended by striking "December 31, 1978" and inserting in lieu thereof "October 1, 1983".

(2) The second sentence of such subsection is amended by inserting "authorized by Title 23 United States Code," after "road construction".

SEC. 111. Subsection (b)(2) of Section 224 of the Appalachian Regional Development Act of 1965 (40 App. U.S.C.224) is amended by inserting after "cost" the phrase "to private for profit establishments".

SEC. 112. Section 401 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.401) is amended to read as follows:

"SEC. 401. (1) In addition to the appropriations authorized in Section 105 for administrative expenses, and in Section 201(g) for the Appalachian development highway system and local access roads, there is authorized to be appropriated to the President, to be available until expended, to carry out this Act, $300,000,000 for the two-fiscal-year period ending September 30, 1981, and $300,000,000 for the two-fiscal-year period ending September 30, 1983.

"(2) No more than 10 per centum of the funds appropriated under this section for the two-fiscal-year period ending September 30, 1981, and no more than 15 per centum of the funds appropriated under this Section for the two-fiscal-year period ending September 30, 1983, shall be obligated for direct grants by the Commission to carry out the purpose of Sections 202(f) and 209.

SEC. 113. Section 405 of the Appalachian Regional Development Act of 1965 (40 App. U.S.C.405) is amended by striking "October 1, 1979" and inserting in lieu thereof "October 1, 1983."

3. SECTION-BY-SECTION SUMMARY

PROPOSED 1979 AMENDMENTS TO THE APPALACHIAN REGIONAL DEVELOPMENT ACT

Section No.	
101	Short title.
102	Amends Sec. 2, ARDA Amends statement of purpose of the Act to make clear that ARC funds may be used for investments in emerging small cities, and urban centers, distressed communities, and areas affected by energy development, and to provide for human service needs in remote and hard-to-reach areas of the region.
103	Amends Sec. 105, ARDA Authorizes necessary funds for administrative expenses of the Commission.
104	Amends Sec. 106, ARDA Extends authority to lease office space to September 30, 1983.
105	Amends Sec. 201, ARDA o Extends authorization for development highway and access road program through September 30, 1985. o Authorizes increased funding level to $300,000,000 for Fiscal Year 1981, and continues same level for each of Fiscal Years 1982 through 1985. o Increases authorized development highway system mileage from 3025 to 3058 miles. o Increases maximum Federal share to 80% for reimbursement of state prefinanced projects. This is the same percentage now authorized for ARC development highway projects.
106	Amends Sec. 202, ARDA Authorizes ARC to make direct grants to the States (including grants for reasonable administrative expenses) for innovative projects and demonstrations to help meet human service needs of individuals and families in the region which the Commission determines, after consultation with interested Federal agencies,

cannot reasonably be accomplished under other Commission programs and especially in more remote and hard-to-reach areas and areas impacted by energy development. The Federal share of the cost may be as much as 100% of the costs of a program component for the first two years and 80% thereafter; but no component can be assisted for more than five years.

107 Amends Sec. 205, ARDA

Permits reclamation of strip mined land owned by public or private nonprofit organizations for housing, industrial, commercial, or other economic development purposes. Presently, reclamation of land owned by private nonprofit organizations is permitted only for public recreation, conservation, community facilities, and public housing.

108 Amends Sec. 207, ARDA

Broadens low and moderate income housing assistance program by permitting use of ARC funds for reasonable costs of acquiring and developing sites when necessary to the economic feasibility of a construction or rehabilitation project. Presently, only site development (not acquisition) costs and necessary offsite improvement costs may be assisted, but for not more than 10 percent of total housing construction costs or 10 percent of the value of rehabilitated housing.

109 Amends Title II, ARDA

Inserts new Section 209, ARDA, broadening the Commission's authority to make direct grants to the States (including grants for reasonable administrative expenses) for certain business-related activities, notwithstanding the general restrictions on such activities in Section 224(b) of the Act. Provides for consultation with interested Federal agencies. States may use grant funds for —

- business-related technical assistance; and
- establishing non-Federal revolving funds for making business, agricultural and forestry enterprise development loans, with special emphasis on loans furthering development opportunities identified through technical assistance activites under the Act.

Section
No.

110 Amends Sec. 214, ARDA

Extends definition of grant-in-aid programs eligible for supplementation with ARC funds to include programs authorized on or before October 1, 1983. Presently, only programs authorized on or before December 31, 1978 are eligible.

Makes clear that the present prohibition on the use of Section 214 funds for highway or road construction applies only to Department of Transportation programs under Title 23, United States Code, and the Appalachian Development Highway and local access road programs under Section 201 of the Appalachian Act. The prohibition does not apply to incidental roadway construction eligible for assistance under other Federal grant-in-aid programs covered by Section 214.

111 Amends Sec. 224, ARDA

Makes clear that the restriction in subsection (b)(2) concerning industrial plants, commercial facilities, machinery, working capital, or other industrial facilities is intended only to prohibit direct subsidization of private business concerns for costs of such facilities or assistance for establishments undertaking work previously performed in other areas. The amendment affirms Commission interpretation of the subsection.

112 Amends Sec. 401, ARDA

- Authorizes appropriations of $300 million for the two-fiscal-year period ending September 30, 1981 and $300 million for the two-fiscal-year period ending September 30, 1983, for Appalachian Act programs (other than Commission administrative expenses under Section 105 and highways under Section 201 for which separate authorizations are provided).

- Limits the amounts that may be obligated in any fiscal year for direct grants by the Commission for the purposes of Section 202(f) human service demonstrations, and Section 209 business-related activities to not more than 10 percent of the funds appropriated for Commission programs (excepting highways and administrative expenses) for Fiscal Years 1980 and 1981, and 15 percent of the funds so appropriated for Fiscal Years 1982 and 1983.

Section
No.

113

Amends Sec. 405, ARDA

Extends termination date of Act, except for highway program, to October 1, 1983 (presently October 1, 1979).

4. Draft Bill Endorsed by ARC Governors, May 1978

AN ACT to extend the Appalachian Regional Development Act of 1965. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SEC. 101. This Act may be cited as the Appalachian Regional Development Act Amendments of 1978.

SEC. 102. Section 2 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.2) is amended as follows:

(1) The fifth sentence of subsection (a) of such section is amended by inserting "including the provision of services to people in the region," after " special problems,".

(2) The sixth sentence of subsection (a) is amended to read as follows: "The public investments made in the region under this Act shall be concentrated in areas where there is a significant potential for future growth, including emerging small cities and urban centers and areas affected by energy development, where the expected return on public dollars invested will be the greatest, and in remote and hard-to-reach areas where there are special problems in providing for human service needs".

SEC. 103. Subsection (b) of Sec. 105 of the Appalachian Development Act of 1965 (40 App.U.S.C.105) is amended to read as follows:

"To carry out this section there is hereby authorized to be appropriated to the Commission, to be available until expended, such sums as may be necessary."

SEC. 104. Sec. 106 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.106) is amended as follows:

(1) Paragraph 5 is amended by adding at the end, "The Civil Service Commission is further authorized, under such terms and conditions as it shall prescribe, to contract with the Commission for coverage as of the date of the Appalachian Regional Development Act Amendments of 1978 in such retirement and other employee benefit programs of the Federal government, of any employee of the Commission not covered in such programs who gives written notice to the Commission of his desire to come within the purview of such coverage."

(2) Paragraph (7) is amended by striking out "1979" and inserting in lieu thereof, "1983".

SEC. 105. Title 5, United States Code is amended as follows:

(1) The last sentence of section 5445(a) of Title 5, is amended by striking out "was a Federal employee immediately prior to such employment by a commission and".

(2) Such title is amended by inserting after section 6312 a new section as follows:

"Sec. 6313. Accrual and accumulation for former ARC and Title 5 regional commission employees --

"Services rendered as an employee of the Appalachian Regional Commission under Section 106(2) of the Appalachian Regional Development Act of 1965, or of a regional commission established pursuant to Section 502 of the Public Works and Economic Development Act of 1965, under Section 506(2) of such Act, shall be included in determining years of service for the purpose of Section 6303(a) of this title in the case of any employee as defined in Section 6301 of this title. The Provision of Section 6308 of this title for transfer of annual and sick leave between leave systems shall apply to the leave system established for such employees."

SEC. 106. Section 201 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.201) is amended as follows:

(1) The third sentence of subsection (a) is amended by striking out "two thousand nine hundred" and inserting "three-thousand".

(2) Subsection (f) of such section is amended by striking "70 per centum," and inserting in lieu thereof "80 per centum".

(3) Subsection (g) of such section is amended by striking everything after "1979", and inserting in lieu thereof: "$400,000,000 for fiscal year 1980; $500,000,000 for fiscal year 1981; $550,000,000 for fiscal year 1982; $550,000,000 for fiscal year 1983; $550,000,000 for fiscal year 1984; $500,000,000 for fiscal year 1985; and $470,000,000 for fiscal year 1986."

(4) Subsection (h) of such section is amended by striking " 70 per centum" and inserting in lieu thereof "80 per centum".

SEC. 107. Section 202 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.202) is amended by adding at the end the following new subsection:

"(f)(1) The Commission may make grants to the States, including grants for reasonable administrative expenses, for innovative projects and for demonstrations approved pursuant to Section 303, of methods and techniques for meeting human services needs of individuals and families in the region which the Commission determines cannot reasonably be accomplished under other provisions of this title, and shall give special emphasis to demonstrations serving people in the more remote and hard-to-reach areas of the region and in areas impacted by energy development.

"(2) States may carry out such demonstrations directly, or through the employment of private individuals or firms under contracts entered into for such purposes, or through arrangements with public bodies and private nonprofit organizations.

"(3) Demonstrations may be funded entirely from appropriations to carry out this Act or in combination with funds available under other Federal grant-in-aid programs or from any source. Notwithstanding any provision of law limiting the Federal share in any such other program, funds appropriated to carry out this subsection may be used to increase such Federal share as the Commission determines appropriate. No component of a demonstration shall receive financial assistance under this title after five years following the commencement of the assistance for such component."

SEC. 108. Subsection (d) of Section 205 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.205) is amended by striking everything after "facilities" and inserting in lieu thereof "and housing, or industrial, commercial, or other economic development purposes."

SEC. 109. Subsection (c) of Section 207 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.207) is amended by --

(1) Striking "site development" and inserting in lieu thereof "housing development" and

(2) Striking everything after "section".

SEC. 110. Title II of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.) is amended by inserting after Section 208 the following new section:

"BUSINESS, RAILROAD, AND ENERGY RESOURCE ACTIVITIES"

"SEC. 209 (a) In order to assist in stimulating agriculture, mining, construction, manufacturing, commercial, and other economic activities in the region, including the development of indigenous arts and crafts, the Commission is authorized, notwithstanding Section 224 (b)(2), (3), and (4), to make grants approved pursuant to Section 303 to the States, including grants for reasonable administrative expenses, for --

"(1) Business related technical assistance, including entrepreneurial development, management advice, market analyses, and utilization or financial feasibility studies.

"(2) Establishing revolving funds to be used for business, agricultural and forestry enterprise development loans, with special emphasis on loans furthering development opportunities for entrepreneurs that are identified through technical assistance activities under this Act.

"(3) Making grants for --

"(A) Projects for the acquisition of rail properties by public bodies where critical to a State investment program approved pursuant to Section 303. No such grant for a project shall exceed 80 per centum of the cost thereof, and the non-Federal share may be in cash or in kind, fairly evaluated, including but not limited to equipment and services.

"(B) Projects for the rehabilitation, repair, and modernization of rail properties (except rolling stock) where critical to a State investment program approved pursuant to Section 303. No such grant for a project shall exceed 50 per centum of the cost thereof, and the non-Federal share may be in cash or in kind, fairly evaluated, including but not limited to equipment and services.

"(4) Demonstration projects in connection with the development, production, utilization, and conservation of the Region's energy resources, including site acquisition or development where necessary for the feasibility of projects.

"(b) States may carry out such activities directly, or through the employment of private individuals or firms under contracts entered into for such purposes, or through arrangements with public bodies and private nonprofit organizations.

"(c) Assistance under this section may be funded entirely from appropriations to carry out this Act or in combination with funds available under other Federal grant-in-aid programs or from any service. Notwithstanding any provision of law limiting the Federal share in any such other program, funds appropriated to carry out this Section may be used to increase such Federal share as the Commission determines appropriate."

SEC. 111. Subsection (c) of Section 214 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.214) is amended as follows:

(1) The first sentence of such subsection is amended by striking December 31, 1978" and inserting in lieu thereof "October 1, 1983".

(2) The second sentence of such subsection is amended by inserting "authorized by Title 23 United States Code," after "road construction".

SEC. 112. Subsection (b)(2) of Section 224 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.224) is amended by inserting after "cost" the phrase "to private for profit establishments".

SEC. 113. Subsection (b) of Section 302 of the Appalachian Regional Development Act of 1965 is amended by striking paragraph (1) thereof and renumbering paragraphs (2), (3) and (4) as (1), (2) and (3) respectively.

SEC. 114. Section 401 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.401) is amended to read as follows:

"SEC.401. (1) In addition to the appropriations authorized in Section 105 for administrative expenses, and in Section 201(g) for the Appalachian development highway system and local access roads, there is authorized to be appropriated to the President, to be available until expended, to carry out this Act, $340,000,000 for the two-fiscal-year period ending September 30, 1981, and $380,000,000 for the two-fiscal-year period ending September 30, 1983.

"(2) No more than 25 per centum of the funds available for obligation in any fiscal year under this section shall be obligated for direct grants by the Commission to carry out the purposes of Sections 202(f), 207(c), and 209.

SEC. 115. Section 405 of the Appalachian Regional Development Act of 1965 (40 App.U.S.C.405) is amended by striking "October 1, 1979" and inserting in lieu thereof "October 1, 1983".

5. SECTION-BY-SECTION SUMMARY

Proposed 1978 Amendments to the Appalachian Regional Development Act

Section No.

101 Short title.

102 Amends Sec.2,ARDA

Amends statement of purpose of the Act to make clear that ARC funds may be used for investments in emerging small cities, urban centers and areas affected by energy development, and to provide for human service needs in remote and hard-to-reach areas of the region.

103 Amends Sec.105,ARDA

Authorizes necessary funds for administrative expenses of the Commission.

104 Amends Sec.106,ARDA

- Makes all ARC employees eligible for coverage in the Federal retirement and life, health and disability programs. (Presently only persons employed by Federal government immediately prior to Commission service are eligible.)
- Extends authority to lease office space to September 30, 1983.

105 Amends Title 5,U.S.C.

Permits certain benefits for ARC and Title 5 regional commission employees who accept Federal employment after commission service:

- makes such persons eligible for pay rates to same extent as if transferring from a Federal agency (permits pay at higher than initial entry salary step of a grade). Presently, only persons employed by Federal government immediately before commission service are so eligible upon returning to Federal service.
- provides ARC service can be counted in determining years of service for computing Federal annual leave; and
- authorizes transfer of unused annual and sick leave to same extent as in a transfer between Federal agencies.

Section No.

106 Amends Sec.201,ARDA

- Increases Appalachian Highway Development System construction mileage from 2900 to 3000.
- Raises maximum Federal assistance for developmental highway and local access road project costs from 70 per cent to 80 per cent.
- Extends authorization for development highway and access road program through September 30, 1986.
- Authorizes increased funding levels for Fiscal Years 1980 and 1981, and new funding levels for Fiscal Years 1982 through 1986, as follows:

Fiscal Year	Current	Increase	New
1980	$300,000,000	$100,000,000	$400,000,000
1981	170,000,000	330,000,000	500,000,000
1982			550,000,000
1983			550,000,000
1984			550,000,000
1985			500,000,000
1986			470,000,000

107 Amends Sec.202,ARDA

Authorizes ARC to make direct grants to the States (including grants for reasonable administrative expenses) for innovative projects and demonstrations to help meet human service needs of individuals and families in the region which the Commission determines cannot reasonably be accomplished under other Commission programs and especially in more remote and hard-to-reach areas and areas impacted by energy development. No component of a project or demonstration under any Commission program can be assisted for more than five years.

108 Amends Sec.205,ARDA

Permits reclamation of strip mined land owned by public or private nonprofit organizations for housing, industrial, commercial, or other economic development purposes. Presently, reclamation of such land is permitted only for public recreation, conservation, community facilities, and public housing.

109 Amends Sec.207,ARDA

Broadens low and moderate income housing assistance program by permitting use of ARC funds for reasonable costs of providing *such housing when necessary to the economic feasibility of a construction or rehabilitation project. Presently, only site development (not acquisition) costs and necessary offsite improvement costs may be assisted, but for not more than 10 percent of total housing construction costs or 10 percent of the value of rehabilitated housing.*

110 *Amends Title II,ARDA*

Inserts new Section 209, ARDA, authorizing the Commission to make direct grants to the States (including grants for reasonable administrative expenses) for certain business, railroad, and energy-related activities notwithstanding the general restrictions on such activities in Section 224(b) of the Act. States may use grant funds for --

- *business related technical assistance;*
- *establishing revolving funds for making business, agricultural and forestry enterprise development loans, with special emphasis on loans furthering development opportunities identified through technical assistance activities under the Act;*
- *grants to public bodies for acquiring railroad properties where critical to a Commission approved State investment program, with the maximum Commission assistance limited to 80 percent of costs.*
- *grants for projects to rehabilitate, repair, or modernize rail properties except rolling stock, where critical to Commission approved State investment program, with the maximum Commission assistance limited to 50 percent of costs.*
- *energy related demonstrations, including site acquisition and development where necessary to the feasibility of projects.*

111 *Amends Sec.214,ARDA*

Extends definition of grant-in-aid programs eligible for supplementation with ARC funds to include programs authorized on or before October 1, 1983. Presently, only programs authorized on or before December 31, 1978 are eligible.

Makes clear that the present prohibition on the use of Section 214 funds for highway or road construction applies only to Department of Transportation programs under Title 23, United States Code, and the Appalachian Development Highway and local access road programs under Section 201 of the

Appalachian Act. The prohibition does not apply to incidental roadway construction eligible for assistance under other Federal grant-in-aid programs covered by Section 214.

112 Amends Sec.224,ARDA

Makes clear that the restriction in subsection (b)(2) concerning industrial plants, commercial facilities, machinery, working capital, or other industrial facilities is intended only to prohibit direct subsidization of private business concerns for costs of such facilities or assistance for establishments undertaking work previously performed in other areas. The amendment affirms Commission interpretation of the subsection.

113 Amends Sec.302,ARDA

Technical amendment striking language which is included in new substance in new Section 209,ARDA.

114 Amends Sec.401,ARDA

- Authorizes appropriations of $340 million for the two fiscal year period ending September 30, 1981 and $380 million for the two fiscal year period ending September 30, 1983, for Appalachian Act programs (other than Commission administrative expenses under Section 105 and highways under Section 201 for which separate authorizations are provided).
- Limits the amounts that may be obligated in any fiscal year for direct grants by the Commission for the purposes of Section 202(f) human service demonstrations, Section 207(c) housing construction and rehabilitation projects, and Section 209 business, railroad and energy resource activities to not more than 25 percent of the funds available for obligation for Commission programs (excepting highways and administrative expenses.)

115 Amends Sec.405,ARDA

Extends termination date of Act, except for highway program, to October 1, 1983 (presently October 1, 1979).

B. NATIONAL SYSTEM OF REGIONAL DEVELOPMENT COMMISSIONS

PRELIMINARY DRAFT BILL ENDORSED
BY ARC GOVERNORS,
May 1978

To promote a national balanced growth and development policy implemented by public investments through a national system of multi-State Regional Development Commissions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Balanced Growth and Regional Development Act of 1978."

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act to promote balanced development through an orderly, efficient, and desirable public investment program that provides the physical infrastructure for sustained growth and the improvement of essential public services. The administrative structure provided in this Act, in which Federal and State governments function as partners, recognizes that problems and opportunities are not uniformly distributed throughout the Nation and is intended to encourage the adaptation of the resources of diverse national programs to area requirements. It further recognizes the central role of Governors as coordinators and managers of economic and social development within States. It will create a structure that provides means for direct involvement of local elected officials working through their State governments, along with a Federal partner, to focus resources coming from all levels of government on the priority issues of rural, urban, and metropolitan America. It is a structure designed to work closely with the private sector and with direct citizen participation to anticipate and address problems and opportunities so that the program of coordinated public decision making provided in this Act will result in responsive patterns of regional and area development and greater opportunities for all Americans to share in the abundance their country offers.

TITLE I -- DEVELOPMENT REGIONS, COMMISSIONS, AND DISTRICTS

FORMATION OF COMMISSIONS

Sec. 101. (a) Upon the joint application of States having common or closely related economic, geographic, cultural, historic, social, natural resource or other interests and problems, and concurrence therein by the President, a development region encompassing such States shall be recognized and a Regional Development Commission serving such region shall be established. It is the intention of the Congress that every area of the Nation be included in a development region but in not more than one. In exceptional cases, single State regions may be recognized.

(b) Each such Commission shall be composed of one Federal member, hereinafter referred to as the "Federal Cochairman" appointed by the President by and with the advice and consent of the Senate, and one member from each State in the region.

(c) Each State member of a Commission shall be the Governor. The State members of the Commission shall elect a Cochairman of the Commission from among their number for a term of not less than one year.

(d) Except as provided in section 105, decisions by a Commission shall require the affirmative vote of the Federal Cochairman and of a majority of the State members (exclusive of members representing States delinquent under section 105). In matters coming before the Commission, the Federal Cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter. No decision involving basic Commission policy, approval of State, Regional or subregional Development Plans or implementing investment programs, or any allocation of funds among the States may be made without a quorum of State members present. The approval of project and grant proposals shall be a responsiblity of the Commission and exercised in accordance with section 202 of this Act.

(e) Eash State member may have a single alternate, appointed by the Governor from among the members of the Governor's cabinet or the Governor's personal staff. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal Cochairman. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal representative for which he is an alternate. A State alternate shall not be counted toward the establishment of a quorum of the Commission in any instance in which a quorum of the State members is required to be present. No Commission powers or responsibilities specified in the last two sentences of subsection (d) of this section, nor the vote of any Commission member, may be delegated to any person not a Commission member or who is not entitled to vote in Commission meetings.

(f) The Federal Cochairman shall be compensated by the Federal Government at level III of the Executive Schedule in subchapter II of chapter 53 of title V, United States Code. His alternate shall be compensated by the Federal Government at level V of such Executive Schedule, and when not actively serving as an alternate for the Federal Cochairman, shall serve as the principal deputy to the Federal Cochairman and perform such functions and duties as are delegated to him by the Federal Cochairman. Each State Member and his alternate shall be compensated by the State which they represent at the rate established by law of such State.

(g) The boundaries of regions or the composition of Commissions may be subsequently altered in the same manner as established.

(h) (1) Each Commission established by the Appalachian Regional Development Act of 1965, or under title V of the Public Works and Economic Development Act of 1965, shall continue in operation until October 1, 1983, or such earlier date as the States comprising such Commission are included in a Regional Development Commission established under this Act. There are authorized to be appropriated, to remain available until expended, such sums as may be necessary to carry out such Act and title.

(2) Notwithstanding paragraph (1) of this subsection or any other provision of law, there are authorized to be appropriated to the Secretary of Transportation, to be used following the expiration of the Appalachian Regional Development Act of 1965 and to remain available until expended, such sums as may be necessary to assist in the completion of the development highway system authorized to be assisted under section 201 of such Act.

FUNCTIONS OF COMMISSIONS

Sec. 102. In carrying out the purposes of this Act, each Commission shall --

(1) foster comprehensive programs implementing a policy for development which will provide necessary public facilities and services, stimulate and channel physical and economic growth, broaden the economic and social opportunities for individuals, support sound land use, and protect and enhance the environment.

(2) develop, on a continuing basis, comprehensive and coordinated plans, strategies and programs for the development of the region, and devise policies, priorities, and guidelines for the development of projects to receive assistance under title II of this Act that take account of other Federal, State, and local planning affecting the region;

(3) conduct and sponsor investigations, research and studies, including an inventory and analysis of the human and physical resources of the region, and, in cooperation with Federal, State, and local agencies, sponsor technical assistance and demonstration projects designed to foster development;

(4) review and study in cooperation with the agencies involved, Federal, State, and local public and private programs, and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(5) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, work with State and local agencies in developing appropriate model legislation, and enter into agreements, including arrangements for transfers of funds, with other Regional Development Commissions and interstate agencies;

(6) assure that the member States establish multi-jurisdictional, substate development districts that, to the fullest extent practicable, include entire metropolitan areas, cover the entire area within the region and serve as the basic multi-jurisdictional system of districts for State program purposes;

(7) encourage private investment in agricultural, industrial, commercial, recreational, natural resource and other projects;

(8) serve as a focal point in coordinating unit for programs affecting the region; and

(9) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

RECOMMENDATIONS

Sec. 103. Each Commission may, from time to time, make recommendations to the President and to the Governors and appropriate local officials with respect to the expenditure of funds by Federal, State, and local departments and agencies affecting the purposes of this Act.

LIAISON BETWEEN GOVERNMENT AND THE COMMISSION

Sec. 104. Each Federal Cochairman shall provide effective and continuing liaison between the departments and agencies of the Federal Government and the Commission; obtain a coordinated review from the appropriate Federal departments and agencies of the plans and programs of the Commission; and foster maximum cooperation and participation by such departments and agencies in implementing section 111 (f) of this title and in the development of the region.

ADMINISTRATIVE EXPENSES OF COMMISSIONS

Sec. 105. For the period ending on September 30 of the second full Federal fiscal year following the date of establishment of a Commission, the administrative expenses of such Commission may be paid by the Federal Government. Thereafter, such expenses shall be paid 50 per centum by the States in the region, except that the expenses of the Federal Cochairman, his alternate, and his staff shall be paid solely by the Federal Government. The share to be paid by each State shall be determined by the State members of the Commission. No assistance authorized by this Act shall be furnished to any State or to any political subdivision or any resident of any State, nor shall the State member of a Commission participate or vote in any determination by the Commission while such State is delinquent in payment of its share of such expenses.

ADMINISTRATIVE POWERS OF COMMISSIONS

Sec. 106. To carry out its duties under this Act, each Commission is authorized to --

(1) adopt, amend, and repeal by-laws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of such personnel as may be necessary to enable the Commission to carry out its functions, except that no compensation to any such person shall exceed the salary of the alternate to the Federal Cochairman on the Commission as provided in

section 101. The Commission shall appoint an executive director who shall be responsible for carrying out the administrative functions of the Commission, for direction of the Commission staff and for such other duties as the Commission may assign. No member, alternate, officer, or employee of a Commission, other than the Federal Cochairman on the Commission, his staff, and his alternate and Federal employees detailed to the Commission under paragraph (3) shall be deemed a Federal employee;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the Commission such personnel within his administrative jurisdiction as the Commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government intergovernmental agency or any subdivision or agency thereof;

(5) make arrangements, including contracts, with (a) the Civil Service Commission of the United States (which, notwithstanding any other provision of law, is hereby so authorized) for coverage of Regional Development Commission employees under the retirement program and other employees benefit programs of the Federal Government, and (b) any participating State government for inclusion in a suitable retirement and employee benefit system of such Regional Development Commission employees as may not elect coverage under Federal employee benefit programs;

(6) accept, use and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) provide financial assistance for projects under this Act, by grant or otherwise, including the transfer of funds to the heads of the appropriate departments, agencies, or instrumentalities of the Federal or State Governments;

(8) enter into and perform such contracts, leases (including notwithstanding any other provision of law, the lease of office space for any term), cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States (which notwithstanding any other provision of law is hereby so authorized) or with any department, agency, or instrumentality of a State or of a political subdivision thereof, or any department, agency, or instrumentality of two or more States or of two or more political subdivisions thereof, or with any person, firm, association, or corporation;

(9) maintain an office in the District of Columbia; and

(10) take such other actions and incur such other expenses as may be necessary or appropriate.

INFORMATION

Sec. 107. In order to obtain information needed to carry out its duties, each Commission may --

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a Cochairman of a Commission, or any member of a

Commission designated by the Commission for the purpose, being hereby authorized to administer oaths when it is determined by the Commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized to the extent not otherwise prohibited by law) to furnish to the Commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection, and for the purposes of audit and examination by the Comptroller General or his duly authorized representatives.

PERSONAL FINANCIAL INTERESTS

Sec. 108. (a) Except as permitted by subsection hereof, no State member or alternate and no officer or employee of a Commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than $10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the Commission of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by the Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Commission may expect from such State member, alternate, officer, or employee.

(c) No State member or alternate shall receive any salary, or any contribution to or supplementation of salary for his services on the Commission from any source other than his State. No person detailed to serve the Commission under authority of paragraph (4) of section 106 shall receive any salary or any contribution to or supplementation of salary for his services on a Commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from the Commission. Any person who shall violate the provisions of this subsection shall be fined not more than $5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal Cochairman or his alternate on a Commission and any Federal officer or employees detailed to duty with it pursuant to paragraph (3) of section 106 shall not be subject to any such subsections but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A Commission may, in its discretion, declare void and rescind any contract, loan, or grant of or by the Commission in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

COMMISSION EMPLOYEE PROTECTIONS

Sec. 109. Title 5, United States Code is amended as follows:

(1) The last sentence of section 5334(a) is amended to read as follows: "For the purpose of this subsection, an individual employed by the Appalachian Regional Commission under section 106 (a) of the Appalachian Regional Development Act of 1965, a Regional Commission established pursuant to section 502 of the Public Works and Economic Development Act of 1965, under section 506 (2) of such Act, or a Regional Development Commission established under section 101 of the Balanced Growth & Regional Development Act of 1978, who is employed in a position to which this subchapter applies, shall be treated as if transferred from a position in the executive branch to which this subchapter does not apply."

(2) Such title is amended by inserting after section 6312 a new section as follows:

"Sec. 6313. Accrual and accumulation for Regional Development Commission employees. Services rendered as an employee of the Appalachian Regional Commission under section 106 (2) of the Appalachian Regional Development Act of 1965, or of a Regional Commission established pursuant to section 502 of the Public Works and Economic Development Act of 1965, under section 506 (2) of such Act, or of a Regional Development Commission established under section 101 of the Balanced Growth & Regional Development Act of 1978, shall be included in determining years of service for the purpose of section 6303 (a) of this title in the case of any employee as defined in section 6301 of this title. So much of section 6308 of this title as provides for transfer of sick leave between leave systems shall apply to the sick leave system established for such Commission employees."

DEVELOPMENT DISTRICTS

Sec. 110. (a) For the purpose of this Act, a "development district" is a multi-jurisdictional entity certified to a Regional Development Commission either by the Governor of the State in which such entity is located, or by the State officer designated by State law to make such certification as having responsibility under State law for continuous, coordinated, comprehensive public facilities and services planning in its area. Unless otherwise provided under State law, local development districts certified pursuant to the Appalachian Regional Development Act of 1965 and economic development districts designated pursuant to the Public Works and Economic Development Act of 1965 shall be recognized as development districts certified pursuant to this section.

(b) No entity shall be certified as a development district for the purposes of this Act, unless:

(1) it is one of the following:

(A) a non-profit public body organized or chartered under the law of the State in which it is located;

(B) an agency or instrumentality of a State or local government;

(C) an agency or instrumentality created through an interstate compact; or

(D) a combination of such bodies, agencies, and instrumentalities;

(2) it is part of a single statewide system of development districts;

(3) it has a governing board, a majority of whose members are elected local officials from units of general government;

(4) the proposed district is geographically and politically structured to carry out a comprehensive planning and development program;

(5) it conforms to metropolitan area boundaries except that multi-State districts shall not be required but shall be encouraged; and

(6) it has a governing board that reflects such area characteristics as the population of jurisdictions, including minority status and other attributes of the population.

DEVELOPMENT PLANNING

Sec. 111. (a) Each Regional Development Commission shall adopt a multi-year Regional Plan to provide guidance for the Commission program, for State and development district planning and programming; and for government agencies at all levels whose programs and projects affect the development of the region. The Regional Plan shall be built upon an assessment of regional problems and opportunities that involves the participation of State and local governments and the private sector in the development process and shall:

(1) specify goals, objectives, and priorities for regional development;

(2) specify policies that will facilitate attainment of the goals, objectives, and priorities and include specific provisions to implement the funding priorities of section 203;

(3) specify strategies and criteria required to effectuate these policies;

(4) specify levels of Federal funding for implementing Commission programs to attain the goals, objectives and priorities; and

(5) provide for periodic review, evaluation and revision of the components of the Regional Plan.

(b) Pursuant to policies established by the Regional Development Commission, each State member shall submit on such schedule as the Commission shall prescribe a multi-year development plan for its area of the region. The State Development Plan shall reflect the goals, objectives, and priorities identified in the Regional Development Plan and in any subregional development plan which may be approved for the subregion of which such State is a part. Such State Development Plan shall --

(1) describe the State organization and continuous process for comprehensive development planning, including the procedures established by the State for the participation of development districts in such process, the means by which such process is related to budgeting processes, and the method of coordinating planning and projects in the State under this Act and other Federal, State, and local programs;

(2) set forth the goals, objectives and priorities of the State for the region, as determined by the Governor, and identify the needs and opportunities on which such goals, objectives, and priorities are based;

(3) describe the development program for achieving such goals, objectives, and priorities, including funding sources, and recommendations for an implementing investment program of specific projects to receive assistance under this Act in sufficient detail to explain their contribution to the goals, objectives and priorities;

(4) describe the mechanisms established to assure appropriate participation of the private sector in development planning and programming and to coordinate activities between public and private institutions;

(5) set forth a system for evaluating the effectiveness of plans, programs, and projects affecting the attainment of the goals, objectives, and priorities of the Regional and State Plans including, to the maximum extent feasible, quantified measures of impact.

(c) (1) Development districts certified by the State under Section 110 of this Act shall provide the linkage between State and substate planning and development. In carrying out the development planning process, including the selection of programs and projects for assistance, States shall consult with local development districts, local units of government, and citizen groups and take into consideration the goals, objectives, priorities, and recommendations of such bodies. The districts shall assist the States in the coordination of areawide programs and projects, and shall prepare and adopt areawide plans or action programs.

(2) The Commission shall require the preparation and execution of areawide action programs which specify interrelated projects and schedules of actions together with the necessary agency fundings and other commitments to implement such programs. Such programs shall make appropriate use of existing plans affecting the area.

(d) State and development district planning processes shall be designed to coordinate and utilize to the maximum extent possible, Federal, State, and local programs and projects in the affected areas, and shall consider anticipated private as well as public investments.

(e) Public participation in the development of the goals, objectives and priorities of regions, States and development districts shall be provided for, encouraged, and assisted. Regional Development Commissions and member States shall prepare and publish guidelines to assure full opportunity for public participation in the establishment of such goals, objectives, and priorities.

(f) Federal departments, agencies, and instrumentalities undertaking or providing financial assistance for programs shall take steps to assure that, to the maximum extent practicable, such programs are not inconsistent with the goals and objectives established by the Commissions, member States, and development districts pursuant to this Act, and the boundaries and organizations of any inter- or intrastate region or district required under any such program undertaken or assisted by the Federal Government shall conform to, or be compatible with, Regional Development Commissions and development districts under this Act.

EXPENSES OF ADMINISTRATION, PLANNING, RESEARCH, AND TECHNICAL ASSISTANCE

Sec. 112. (a) Each Regional Development Commission is authorized to make grants or otherwise provide financial assistance for:

(1) administrative expenses of development districts certified under section 110 of this title;

(2) State and development district planning activities pursuant to section 111 of this title; and

(3) research and technical assistance, including investigations; studies; evaluations; assessments of needs, potentials or attainments of the people of the region; training programs; and demonstrations, including the construction of necessary facilities incident to such activities which will further the purposes of this Act.

(b) The amount of any such grant for administrative expenses and planning activities under paragraphs (a)(1) and (a)(2) shall not exceed 75 per centum of such expenses and activities. Any required non-Federal share of expenses of activities authorized by this section may be in cash or in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) Financial assistance provided under this section may be used in conjunction with available grants for related purposes authorized under any other Federal or State law.

(d) (1) The Commission shall, as required by the President, maintain accurate and complete records of transactions and activities financed with Federal funds and report thereon to the President. The records of the Commission shall be available for audit with respect to such grants by the

President, the Comptroller General, the Federal Cochairman, or their duly authorized representatives.

(2) Recipients of Federal assistance under the provisions of this section shall, as required by the applicable Commission, maintain accurate and complete records of transactions and activities financed with Federal funds and report thereon to the Commission. Such records shall be available for audit by the President, the Comptroller General, the Commission, the Federal Cochairman, and the member States, or their duly authorized representatives.

(e) No part of any appropriated funds may be expended pursuant to authorization given by this Act involving any scientific or technological research or development activity unless such expenditure is conditioned upon provisions effective to insure that all information, copyrights, uses, processes, patents, and other developments resulting from that activity will be made freely available to the general public. Nothing contained in this subsection shall deprive the owner of any background patent relating to any such activity, without his consent, of any right which that owner may have under that patent. Whenever any information, copyright, use, process, patent or development resulting from any such research or development activity conducted in whole or in part with appropriated funds expended under authorization of this Act is withheld or disposed of by any person, organization, or agency in contravention of the provisions of this subsection, the Attorney General shall institute, upon his own motion or upon request made by any person having knowledge of pertinent facts, an action for the enforcement of the provisions of this subsection in the district court of the United States for any judicial district in which any defendant resides, is found, or has a place of business. Such court shall have jurisdiction to hear and determine such action, and to enter therein such orders and decrees as it shall determine to be required to carry into effect fully the provisions of this subsection. Process of the district court for any judicial district in any action instituted under this subsection may be served in any other judicial district of the United States by the United States marshal thereof. Whenever it appears to the court in which any such action is pending that other parties should be brought before the court in such action, the court may cause such other parties to be summoned from any judicial district of the United States.

Sec. 113. There is authorized to be appropriated to the President, for allocation to the Regional Development Commissions in the manner provided in section 205(b), for carrying out sections 105 and 112 of this title, to remain available until expended, not to exceed $100,000,000 for the fiscal year ending September 30, 1980, $125,000,000 for the fiscal year ending September 30, 1981, $150,000,000 for the fiscal year ending September 30, 1982, and $150,000,000 for the fiscal year ending September 30, 1983.

PRELIMINARY EXPENSES OF INITIATING AND ORGANIZING DEVELOPMENT COMMISSIONS

Sec. 114. (a) The President, upon the joint application of Governors, is authorized to make grants for preliminary expenses or otherwise provide financial or technical assistance to States for initiating and organizing Regional Development Commissions.

(b) The President may carry out this section through members of his staff or the Office of Development established pursuant to section 115 of this Act.

OFFICE OF DEVELOPMENT

Sec. 115. (a) The President, in order to facilitate the formulation and implementation of national and regional development policies, shall establish in the Executive Office of the President an office to be known as the Office of Development which shall be composed of the Director, appointed by the President by and with the advice and consent of the Senate, and such other personnel as may be necessary to enable such Office to carry out its functions. The Director shall be compensated at level II of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code.

(b) The Director, together with the Federal Cochairmen, shall assist and advise the President on policies and programs affecting the Regional Development Commissions. The Director shall further --

(1) assist the Federal Cochairman and the Regional Development Commissions by establishing, coordinating and conducting a continuing program of study, training and research into the origins and prospects of divergent trends in development among the regions, including identifying possible methods for stimulating and controlling development and reducing disparities in regional per capita income and employment opportunities.

(2) subject to section 114 of this title, assist States in initiating and organizing Regional Development Commissions;

(3) undertake continuing activities to secure the objectives of section 104 by assisting Federal Cochairmen and of section 111(e) by assisting Federal departments, agencies, and instrumentalities in their coordination, cooperation, and participation with the planning and programming activities of Regional Development Commissions and State

governments so that Federal activities are not inconsistent with the development goals and strategies of the Commissions;

(4) assist the Federal Cochairmen by investigating the effects of the Federal Government's procurement, scientific, technical, and other related policies upon regional and area development; and

(5) develop reports, studies and other necessary information for use in connection with the biennial reports to Congress required under Sec. 303.

(c) The Director may carry out functions of the Office through members of his staff or by the payment of funds appropriated for this section to departments, agencies, or instrumentalities of the Federal Government, or through grants to the Appalachain Regional Commission established under the Appalachian Regional Development Act of 1965, Regional Commissions established under the Public Works and Economic Development Act of 1965, or any Regional Development Commission established under this Act, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions without regard to sections 3648 and 3707 of the revised statutes (31 U.S.C. 529 and 41 U.S.C.5).

(d) (1) There is authorized to be appropriated to carry out this section and section 114 for the four-fiscal-year period ending September 30, 1983, to remain available until expended, not to exceed $12,500,000.

(2) In order to permit the accelerated implementation of this section and section 114, the President is authorized to use for such purposes any other funds available to him pending the appropriation of funds pursuant to this subsection.

TITLE II -- PUBLIC WORKS DEVELOPMENT GRANTS

GRANT AUTHORITY

Sec. 201. (a) Each Regional Development Commission is authorized to provide financial assistance for projects and activities (hereinafter referred to as projects) affecting human, economic, natural, physical and institutional development or adjustment through the provision of services or the acquisition or development of land and improvements, including open space, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of public works and public service or development facilities, including related machinery and equipment. Such projects may include, but are not limited to, health, nutrition, child development and education facilities and services; housing, transportation, and community facilities or services; agriculture, forestry and business development assistance activities; energy, environmental and natural resource management activities; and flood or other natural hazard protection activities.

(b) To the maximum extent practicable, the Commissions shall provide assistance under this section by transferring funds for projects approved by the Commission to the heads of Federal departments or agencies to be used for --

(1) all or any portion of the basic Federal contribution to projects under any Federal grant-in-aid program authorized on or before September 30, 1983, and for the purpose of increasing the Federal contribution to projects under such programs above the fixed maximum portion of the costs of such projects otherwise authorized by the applicable law; and

(2) the Commission contribution to projects and for providing grants management and technical assistance for projects as requested by the Commissions. Notwithstanding any other law, the heads of Federal departments and agencies are hereby authorized to provide such assistance.

(c) (1) Each Commission may make direct grants, or may provide funds to the States, including grants for reasonable administrative expenses and for establishing revolving funds; for innovative projects and for demonstrations of methods and techniques for meeting the purposes of subsection (a) of this section which the Commission determines cannot reasonably be accomplished under subsection (b) of this section.

(2) States may carry out such projects and demonstrations directly, or through the employment of private individuals or firms under contracts entered into for such purposes, or through arrangements with public bodies and private non-profit organizations.

(3) Such projects and demonstrations may be funded entirely from appropriations to carry out this Act or in combination with funds available under other Federal grant-in-aid programs or from any source. Notwithstanding any provision of law limiting the Federal share in any such other program, funds appropriated to carry out this subsection may be used to increase such Federal share as the Commission determines appropriate. No component of any such project or demonstration shall receive financial assistance under this Act, the Appalachian Regional Development Act of 1965 and Title V of the Public Works and Economic Development Act of 1965 after five years following the commencement of the assistance for such component.

(d) The Federal portion of project costs shall not exceed the percentage of project costs established by the Commission and, except as provided in subsections (e) and (f), shall not exceed 80 per centum thereof.

(e) Grants for operation of any project (including initial operating funds and deficits, comprising among other things, the costs of attracting, training, and retaining qualified personnel) may be made for up to 100 per centum of the costs thereof for the two-year period beginning, for each component facility or service assisted under any such operating grant, on the first day that such facility or service is in operation as a part of the project. For the next three years of operation, such grants shall not exceed 75 per centum of such costs. A grant for operation of any project shall be made only if the facility is not operated for profit. No grants for operation of any project shall be made after five years following the commencement of the initial grant, for operation of the project. No such grants shall be made unless the Commission is satisfied that the operation of the project will be conducted under efficient management practices designed to obviate operating deficits. The Federal contribution may be provided entirely from funds authorized under this section, or in combination with funds provided under other Federal programs.

(f) Except as provided in subsection (e), grants for innovative projects and demonstrations under subsection (c) may be made for up to 100 per centum of the costs of any project.

(g) Financial assistance under this section shall not be taken into account in the computation of the allotments among the States made pursuant to any other provision of law. Funds appropriated to carry out this Act shall be available without regard to any limitations on authorizations for appropriation in any other Act.

(h) No financial assistance shall be authorized under this Act to assist private establishments relocating from one area to another or to enable plant subcontractors to undertake work theretofore performed in another area by other subcontractors.

(i) Housing assistance projects shall be subject to the provisions cited in section 302 of this Act to the extent provided in Federal laws authorizing assistance for low or moderate income housing.

APPROVAL OF DEVELOPMENT PLANS, INVESTMENT PROGRAMS AND PROJECTS

Sec. 202. (a) State and Regional Development Plans and implementing investment programs, and any multistate subregional plans which may be developed, and amendments to such plans and programs, shall be annually reviewed and approved by the Commission in accordance with Section 101 (d) of this Act. An application for a grant or for any other assistance for a specific project under this Act shall be made through the State member of the Commission representing such applicant, and such State member shall evaluate the application for approval. Only applications for grants or other assistance for specific projects shall be approved which are certified by the State member and determined by the Federal Cochairman to implement the Commission-approved State Development Plan; to be included in the Commission-approved implementing investment program; to have adequate assurance that the project will be properly administered, operated and maintained; and to otherwise meet the requirements for assistance under this Act. Projects, whether or not of a multi-State nature, which satisfy the policies, strategies, and criteria established by the Commission under this Act are regional projects and eligible for assistance. After the approval of the appropriate State Development Plan and implementing investment program, certification by a State member of an application for a grant or other assistance for a specific project pursuant to this section shall, when joined by an affirmative vote of the Federal Cochairman for such project, be deemed to satisfy the requirements for affirmative votes for decisions under section 101 (d) of this Act.

(b) Each project authorized under this title shall meet the requirements of the planning process established under title I and further development through such purposes as income improvement; provision of decent, safe and sanitary housing; health care; child care; services to the aged; air and water quality protection and enhancement; job opportunity and employment; availability of trained labor force, including vocational education; improved education opportunity; transportation services; recreational opportunity; effective land utilization; balanced industrial, commercial, and residential use; environmentally sound resource development and conservation; and cultural and community improvement.

FUNDING PRIORITY

Sec. 203. Each Regional Development Commission shall take steps to assure that --

(a) projects and programs to be supported:

(1) focus on problems and opportunities given priority in State Development Plans;

(2) have significant potential for overcoming those problems or capitalizing on those opportunities; and

(3) result in a distribution of funds among priority activities that is generally proportional to the share of the regional urban and rural

population affected by the problems and opportunities selected for attention; and

(b) programs and projects designed to enhance economic opportunities shall give priority to areas of significant potential for future growth and to areas facing long term economic decline in conformity with the goals and objectives of Regional and State Development Plans, and shall provide for equitable treatment of communities of all sizes.

STATE CONSENT

Sec. 204. Nothing contained in this Act shall be interpreted as requiring any State or political subdivision thereof to engage in or accept any project under this Act without its consent.

AUTHORIZATIONS AND ALLOCATION

Sec. 205 (a) There is authorized to be appropriated to the President for the Regional Development Commissions to remain available until expended:

(1) for the purpose of carrying out this title, not to exceed $1,000,000 for the fiscal year ending September 30, 1980, $1,500,000 for the fiscal year ending September 30, 1981, $2,000,000 for the fiscal year ending September 30, 1982, and $2,000,000 for the fiscal year ending September 30, 1983.

(2) no more than 25 per centum of the funds available for obligation by a Commission in any fiscal year to carry out this title shall be available for direct grants to the States under section 201(c).

(b) The President shall promptly apportion to the Commissions the sums appropriated under this Act for any fiscal year as follows: (Formula should be established by Congress, taking account of such factors as land area, State revenues, population and per capita income, and should contain reasonable hold-harmless provisions).

TITLE III -- ADMINISTRATIVE PROVISIONS DEFINITIONS

Sec. 302. When used in this Act:

(a) The term "State" means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Trust Territories of the Pacific Islands.

(b) The term "Governor" means the Governor of any State or territorial possession, the Mayor of the District of Columbia, and the High Commissioner of the Trust Territories of the Pacific Islands.

APPLICABLE LABOR STANDARDS

Sec. 302. All laborers and mechanics employed by contractors or subcontractors in the construction, alteration, or repair, including painting and decorating, of projects, buildings, and which are financially assisted through the Federal funds authorized under this Act, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a--276a-5). The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176, 64 Stat. 1267, 5 U.S.C. 133-133z-15), and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(c)).

REPORTS

Sec. 303. Not later than six months after the close of each fiscal year, each Commission shall prepare and submit to the Governor of each State in the region and to the President, for transmittal to the Congress, a report on the activities carried out under this Act during such year. Each biennium the President shall submit a report to the Congress on the growth and development problems and opportunities in each of the regions of the United States.

SEVERABILITY

Sec. 304. If any provision of this Act, or the applicability thereof to any person or circumstance, is held invalid, the remainder of this Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

SUMMARY OF PRINCIPAL PROVISIONS OF PRELIMINARY DRAFT BILL:

"BALANCED GROWTH AND REGIONAL DEVELOPMENT ACT OF 1978"

The purpose of this Bill is to promote balanced development through a national system of Regional Development Commissions by providing the physical infrastructure for sustained growth and contributing to the improvement of essential public services.

The administrative structure of the Bill, in which the Federal and State governments function as partners, recognizes that problems and opportunities are not uniformly distributed throughout the nation and allows local elected officials and citizens to work through the Governors of their States, along with a representative of the President, to adapt the resources of diverse national programs to area requirements and focus resources coming from all levels of government on the priority issues of rural, urban, and metropolitan America.

Title I of the Bill relates to the formation, composition, functions and powers of the Regional Development Commissions.

Section 101 provides for the recognition of a development region and establishment of a Commission serving such region on the joint application of States and concurrence therein by the President. The Bill declares the intention that every area of the nation be included in a development region but not in more than one; and that, in exceptional cases single State regions may be recognized. Each Commission would be composed of one Federal member and the Governor of each State in the region. Affirmative decisions by a Commission would require the affirmative vote of the Federal member and a majority of the member States. Funds are authorized to continue the Appalachian Regional Commission and the Regional Commissions established under Title V of the Public Works and Economic Development Act of 1965 until October 1, 1983 or such earlier date as the States comprising such a Commission are included in a Commission established under this Bill.

This section also authorizes the appropriation of funds to the Secretary of Transportation, to be used following the expiration of the Appalachian Regional Development Act of 1965, as it may be necessary to assist the completion of the Appalachian development highway system.

Section 104 directs each Federal Cochairman to provide effective liaison and foster maximum cooperation between the departments and agencies of the Federal government and the Commission.

Section 110 provides for the establishment of multi-jurisdictional local development districts. To be certified as a development district for the purpose of this Act an entity must have a governing board, a majority of whose members are elected local officials from units of general government and whose representation reflects such area characteristics as the population of jurisdictions, including minority status and other attributes of the population, and must be geographically and politically structured to carry out a comprehensive planning and development program.

Section 111 describes the development planning process for Commission programs. It requires each Regional Commission to adopt a multi-year regional plan and each State to develop and submit for Commission approval a Development Plan and a specific investment program for its area of the region. The State Plan must include an explanation of its procedures for assuring the participation of development districts, the means by which planning is related to budgeting processes, and methods of coordinating and evaluating projects.

Section 111(f) requires the Federal departments and agencies to take steps assuring that to the maximum extent practicable their programs are not inconsistent with the goals and objectives established by the Commissions' member States and development districts and that boundaries and organizations required under Federal programs shall be compatible with those of Regional Commissions or development districts.

Section 112 authorizes financial assistance for administrative expenses of development districts, State and development district planning activities, and research and technical assistance.

Section 113 authorizes the appropriation of funds for administrative expenses of Regional Commissions including the expenses of the Federal Cochairmen and for the purposes of Section 112.

Section 114 of the Bill authorizes the President upon the joint application of Governors to provide financial or technical assistance to States for initiating and organizing Regional Commissions.

Section 115 of the Bill provides for the establishment in the Executive Office of the President of an office to be known as the Office of Development. The Director, together with the Federal Cochairmen, are to assist and advise the President on policies and programs affecting the Regional Commissions. Among other matters, the Director will assist the Federal Cochairmen and the Federal departments and agencies with planning and program activities so that Federal activities are not inconsistent with the development goals and strategies of the Commissions.

Title II of the Bill authorizes the appropriation of funds for carrying out commission programs.

Section 201 authorizes each Commission to provide financial assistance for a broad range of public works, services and development facilities which include all programs now authorized for Title V Commissions and ARC, including the broadened authority proposed in the draft Appalachian extension bill. To the maximum extent practicable, this assistance is to be provided through Federal agencies but, where necessary, may also be provided through States agencies or directly by the Commissions. Grants to States for establishing revolving funds also are authorized. The total Federal contribution to a project may not exceed 80 percent of the cost except for technical assistance and demonstration projects, for which up to 100 percent Federal funding is permitted, and grants for operations which are permitted at 100 percent of costs for two years and 75 percent for an additional three years. No component of any demonstration may receive assistance for more than five years after commencement of assistance. The section also prohibits the use of appropriated funds to assist the relocation of private for profit establishments.

Section 202 requires an annual review and approval of State and Regional Development Plans and implementing investment programs. Only projects recommended by a State and determined to implement a Plan may be approved. Following Commission approval of the appropriate Plan and investment program, project approval requires State certification and the Federal Cochairman's affirmative vote. The section contains an illustrative list of the types of income improvement, housing, health and child care, education services, environmental, transportation, recreation, land utilization and business, residential, cultural and community improvement projects that may be approved.

Section 203 requires each Commission to take steps to assure that projects designed to enhance economic opportunities give priority to areas of significant potential for future growth and to areas facing long-term economic decline in conformity with the goals and objectives of regional and State Development Plans; result in a distribution of funds among priority activities that is generally proportional to the share of the regional population affected by the problems and opportunities selected for attention; and provide for equitable treatment of communities of all sizes.

Section 204 provides that no State or political subdivision shall be required to engage in or accept any project under this Act without its consent.

Section 205 authorizes the appropriation of funds to the President for the Regional Commissions, not to exceed a total of $6.5 billion over the four-fiscal-year period ending September 30, 1983. The President would be required to apportion funds appropriated under the Act to the Commissions under a formula established by Congress. The draft bill does not specify the formula but suggests that it should take account of such factors as land area, State revenues, population, and per capita income. Not more than 25 percent of the funds available to each Commission in any fiscal year may be used for grants to States for innovative projects and demonstrations of methods to meet the purposes of the development grants program.

Title III contains general administrative provisions.

APPENDIX

HIGHWAYS AND OTHER PROGRAM INFORMATION

A. Yearly Nonhighway Program Summary by type of project, 1970-1978

B. Cumulative Program Summary by type of project by State, 1965-1978

C. Authorizations and Appropriations for Highway and Nonhighway Programs and Administrative Expenses

D. Appalachian Regional Development Appropriations by Program

E. Appalachian Development Highway System, Mileage Summary

F. Appalachian Highway Program Obligation Needs

G. Appalachian Access Road Program, Financing and Accomplishments

H. Appalachian Access Roads, Mileage Summary

I. Appalachian Development Highway System Status (Map)

J. Appalachian Development Highway System (Map)

K. 214 First Dollar Projects, Yearly Summary

L. LDD Map

M. List of LDD names Keyed to Map

N. Regional Map

O. Bibliography of Staff and Consultant Reports Concerning Evaluation of Commission Programs

P. Population Trends and Annual Rates of Change, Appalachian Region and United States, 1960-1977

Q. Civilian Resident Labor Force, Employment, and Unemployment, Appalachian Region and United States, 1970-1977

R. Per Capita Money Income, with 1969-1975 Trends, Appalachian Region and United States

Table A

YEARLY NONHIGHWAY PROGRAM SUMMARY BY TYPE OF PROJECT, 1970-1978 (TOTAL ARC FUNDS)

(THOUSANDS OF DOLLARS)

	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978
Health	$52,169	$34,711	$47,041	$36,307	$29,157	$32,906	$33,416	$6,554	$25,842	$21,404
Operation	16,387	21,087	26,269	25,356	20,914	21,157	12,318	1,913	8,858	10,550
Equipment & Operation	-	-	-	-	475	514	8,585	976	8,125	4,480
Equipment	72	420	875	3,621	1,369	1,303	577	-	795	1,472
Construction	35,710	13,204	19,397	7,330	6,399	9,931	11,936	3,665	8,065	4,901
Child Development	187	7,049	18,341	15,526	25,254	24,343	20,305	2,718	12,008	11,632
Operation	187	6,979	18,227	14,347	25,097	23,378	13,829	2,822	8,175	9,410
Equipment & Operation	-	69	-	-	83	43	6,391	-103	3,783	2,021
Equipment	-	-	-	580	58	-	-	-	50	-
Construction	-	-	114	-	15	422	85	-	-	200
Vocational & Other Education	37,579	34,479	47,079	37,033	38,969	44,262	26,762	58	23,722	22,125
. Vocational Education	31,669	26,758	40,937	31,326	33,787	37,359	22,900	47	19,061	16,425
Operation	-	-	4,703	4,087	5,368	3,016	3,775	9	4,054	2,232
Equipment & Operation	-	-	-	-	-	-	-	-	-	357
Equipment	1,739	1,031	3,734	2,122	2,338	1,656	2,553	-	1,146	1,169
Construction	29,930	25,727	32,500	25,117	25,581	32,687	16,572	38	13,861	12,567
. Other Education	5,910	7,721	6,141	5,707	5,181	6,904	3,861	-59	4,660	5,698
Operation	636	267	830	995	762	673	1,357	0.4	2,308	2,928
Equipment & Operation	-	-	-	-	-	-	-	-	-	830
Equipment	1,015	905	712	1,324	918	1,799	411	2	378	261
Construction	4,259	6,549	4,599	3,388	3,501	4,432	2,093	-61	1,974	1,679
Community Development and Housing	8,976	15,973	20,140	20,813	17,772	30,330	36,461	1,232	43,144	44,460
. Water System	2,767	3,087	4,304	6,172	9,216	12,340	11,161	225	20,242	17,999
. Sewage System	3,050	7,172	9,554	5,561	3,580	4,660	8,353	-	6,076	9,318
. Water & Sewage	480	411	1,197	2,431	1,649	2,494	672	200	3,083	2,392
. Housing	1,499	819	1,408	1,297	1,200	1,405	3,074	711	4,820	6,053
. Recreation	477	794	1,583	2,042	919	1,369	5,148	-1	1,560	2,077
. Solid Waste	542	3,647	1,573	2,673	1,024	3,081	334	-	2,071	1,016
. Industrial Site Development	-	-	-	-	-	-	3,732	53	3,385	3,946
. Other Community Development	162	48	521	617	134	383	2,585	44	1,905	1,659
Energy, Environment, and Natural Resources	2,181	4,529	3,733	16,033	4,497	2,441	1,399	1,361	1,090	2,695
. Mine Subsidence	80	1,590	3,791	15,339	2,074	300	-	-	-	-
. Land Stabilization *	2,820		-122	-155	-165	-147	89	-533	-189	-86
. Mine Fire	-985	2,517	-	155	-	1,108	32	1,522	48	433
. Mine Drainage	-	-	-	-	2,430	-	1,266	-	-616	428
. Strip Mine Reclamation	69	326	64	-	76	444	47	-5	[illegible]	-202
. Refuse Bank Reclamation	-	-	-	194	-	284	-147	-	1,278	1,000
. Well Capping	125	96	-	-	21	17	12	-16	-	-
. Timber Development	72	-	-	-	62	35	-	-	-	-
LDD's Research and Technical Assistance	5,550	7,107	7,106	9,683	7,366	9,519	8,515	4,170	10,676	11,923
. LDD Planning and Administration	2,835	3,259	3,026	3,230	2,621	4,372	4,983	3,107	4,762	5,340
. State Research/LDD.Spec. Pros.	685	1,221	686	1,412	1,650	1,694	1,482	449	2,117	4,031
. Commission Research	910	335	572	327	581	876	501	31	1,543	1,173
. Environment & Energy	179	546	1,994	1,673	590	640	635	393	2,248	1,278
. Flood Relief	-	-	-	2,349	172	272	17	-	-	50
. Program Design	-	-	2	-	665	670	197	90	-	-
. Other Research & Tech. Assistance	477	657	825	691	1,088	470	264	-	-	-
Other Transportation	623	1,247	7,496	3,689	-79	2,405	-204	8	206	1,458
. Airports & Airport Safety	623	1,247	7,296	3,116	-79	2,155	-351	-47	-26	333
. Mass Transit & Transportation Demonstration & Rail Access	-	-	200	573	-	250	147	55	231	1,125
Enterprise Development	-	-	-	-	-	-	3,920	575	3,060	3,242
Total ARC Project Approvals	$107,263	$105,101	$150,216	$139,084	$122,885	$146,206	$130,574	$12,479	$119,751	$118,940

* Obligations

Table B

CUMULATIVE PROGRAM SUMMARY
PROJECTS APPROVED THROUGH SEPTEMBER 30, 1978
(TOTAL ARC APPROVED FUNDS)

(THOUSANDS OF DOLLARS)

State	Health	Child Development	Vocational and Other Education	Community Development and Housing	Energy, Environment and Natural Resources	LDD Research and Technical Assistance	Other Transportation	Enterprise Development	Grand Total
Alabama	$ 35,843	$ 8,352	$ 51,321	$ 18,503	$ 2,441	$ 6,485	$ 2,977	$ -	$ 125,922
Georgia	28,718	13,812	26,394	16,944	986	4,561	1,228	100	92,743
Kentucky	48,419	9,026	35,715	23,889	7,021	11,020	202	576	130,868
Maryland	13,344	3,656	14,834	16,225	3,113	2,011	631	-	53,813
Mississippi	12,765	7,641	25,605	13,866	643	3,436	750	50	64,757
New York	17,090	12,372	25,886	14,975	2,360	4,314	1,528	730	79,254
North Carolina	23,977	16,942	32,449	18,538	1,607	6,004	961	1500	101,977
Ohio	34,042	14,435	29,290	14,321	3,132	3,062	351	195	98,329
Pennsylvania	44,210	9,587	47,599	45,073	49,713	10,514	3,092	853	210,640
South Carolina	34,246	12,985	32,777	9,517	463	3,235	305	235	93,762
Tennessee*	23,588	11,881	30,444	39,558	2,870	6,468	2,850	5,266	122,926
Virginia	18,441	4,856	34,621	13,651	1,623	5,462	538	1,227	80,419
West Virginia	48,320	11,155	45,794	23,758	2,934	6,723	5,569	39	144,293
General Program	1,802	665	-	3	-	17,587	-	135	20,191
Total	$ 384,806	$ 137,364	$ 432,728	$ 268,821	$ 73,904	$ 90,882	$ 20,983	$ 10,906	$1,420,394

*Includes Georgia-Tennessee Projects.

Table C

APPALACHIAN AUTHORIZATIONS AND APPROPRIATIONS FOR HIGHWAY AND NONHIGHWAY PROGRAMS AND ADMINISTRATIVE EXPENSES

(in millions of dollars)

	Highway[2]	Nonhighway	Administrative Expenses	Total Appropriations
1965-67				
Authorizations	--	$ 250.0	$ 2.4	
Appropriations	$ 300.0	163.4	2.4	$ 465.8
1968-69				
Authorizations	--	170.0	1.7	
Appropriations	170.0	130.3	1.5	301.9
1970-71				
Authorizations	--	268.5	1.9	
Appropriations	350.0	234.5	1.9	586.4
1972-73				
Authorizations	--	282.0	2.7	
Appropriations	380.0	260.0	2.3	642.3
1974-75				
Authorizations	--	294.0	3.3	
Appropriations	315.0	248.5	3.2	566.7
1976-77				
Authorizations	--	340.0	4.6	
Appropriations	384.7	256.5	4.3	645.5
1978-79				
Authorizations	--	300.0	5.0	
Appropriations[1]	444.3	248.1	4.3	696.7
Total Appropriations	$2,344.0	$1.541.3	$20.1	$3,895.3

1/FY 1979 to date

2/Highways were authorized as follows.

Appalachian Legislation	Period Covered	Amount of Authorization	
		Added	Cumulative
1965 Act	through 1971	$840.0	$ 840.0
1967 Amendments	through 1971	175.0	1,015.0
1969 Amendments	through 1973	150.0	1,165.0
1971 Amendments	through 1978	925.0	2,090.0
1975 Amendments	through 1981	840.0	2,930.0

Cumulative authorization through 1979: $2,460.0

Cumulative appropriation through 1979: $2,344.0

Table D

APPALACHIAN REGIONAL DEVELOPMENT PROGRAMS APPROPRIATIONS BY PROGRAM
(in thousands of dollars)

Section of Act and Program	For Two-Year Fiscal Period 1965-66-67	1968-69	1970-71	1972-73	By Fiscal Year 1974	1975	1976	Transition Quarter	1977	1978	Cumulative through 1978	1979 to date
Area Development Programs	--	--	--	--	--	125,000	117,500	8,000	109,500	105,000	1,278,791	128,000
202 Health Demonstration	23,500	21,400	76,000	94,000	43,000	7/	7/	7/	7/	7/	7/	7/
211 Vocational Education Facilities	16,000	26,000	49,000	53,500	25,000	7/	7/	7/	7/	7/	7/	7/
214 Supplemental Grants	75,000	66,450 2/	82,500 3/	75.500	34,000	7/	7/	7/	7/	7/	7/	7/
205 Mine Area Restoration	22.600 1/	335 2/	9,000	15,000	4,556 6/	7/	7/	7/	7/	7/	7/	7/
Fish and Wildlife	1,450 1/	--	--	--	--							
SUBTOTAL	$138,550	$114,185	$216,500	$238,000	$106,556	$125,000	$117,500	$ 8,000	$109,500	$105,000	$1,278,791	$128,000
207 Housing Fund	--	2,000	2,000	4,000	1,500	--	--	--	--	--	9,500	--
302 Research and LDD	5,250	4,600	13,000	18,000	7,500	8,500	8,500	4,500	8,500	7,400	85,750	7,700
203 Land Stabilization	10,000	6,115 2/	3,000	--	--	--	--	--	--	--	19,115	--
204 Timber Development	600 1/	--	-42 4/	--	--	--	--	--	--	--	558	--
212 Sewage Treatment	6,000	1,400	--	--	556 6/	--	--	--	--	--	6,844	--
206 Water Resources Survey	3,000	2,000	--	--	--	--	--	--	--	--	5,000	--
TOTAL, NONHIGHWAY	$163,400	$130,300	$234,458	$260,000 5/	$115,000	$133,500	$126,000	$12,500	$118,000	$112,400	$1,405,558	$135,700
201 Highways	300,000	170,000	350,000	380,000	155,000	160,000	162,200	37,500	185,000	211,300	2,111,000	233,000
TOTAL PROGRAM	$463,400	$300,300	$584,458	$640,000	$270,000	$293,500	$288,200	$50,000	$303,000	$323,700	$3,516,558	$368,700
Administrative Expenses	2,390	1,596	1,900 4/	2,330	1,492	1,747	1,870	495	1,925	2,083	17,828	2,220
GRAND TOTAL	$465,790	$301,896	$586,358	$642,330	$271,492	$295,247	$290,070	$50,495	$304,925	$325,783	$3,534,386	$370,920

1/Adjusted for transfer to non-Appalachian programs of $400,000 each program.
2/Adjusted for reprogramming actions.
3/Includes $8.5 million 1971 Supplemental Appropriations Act for airport projects.
4/Adjusted for transfer of $42,000 prior year balance to administrative expenses.
5/Includes $15 million supplemental Agnes Flood appropriation ($11,000 Section 205; $3,500 Section 302; $1,500 Section 207).
6/Adjusted for transfer of $556,000 from Section 212 to Section 205.
7/Included in area development program total above.

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Table E

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

MILEAGE SUMMARY

			CUMULATIVE STATUS AS OF SEPTEMBER 30, 1978				
State	Total Corridor	Eligible for Construction	Location studies design. RW Acquisition construction completed/ underway	Design, RW Acquisition construction completed or underway	RW Acquisition construction completed or underway	Construction completed/ underway*	Construction completed**
Alabama	155.6	146.1	146.1	95.4	82.2	50.8	35.4
Georgia	134.9	85.7	85.7	55.4	55.4	46.6	29.2
Kentucky	585.3	439.1	439.1	437.6	392.8	326.0	272.7
Maryland	85.7	81.7	81.7	58.0	50.0	50.0	50.0
Mississippi	111.4	108.4	108.4	48.9	43.6	38.8	22.8
New York	255.4	219.4	219.4	200.9	183.1	167.1	155.9
North Carolina	206.5	205.4	205.4	169.8	159.3	150.0	112.4
Ohio	293.5	201.6	201.6	177.6	150.0	119.0	101.0
Pennsylvania	507.5	456.9	456.9	283.1	188.8	168.4	138.6
South Carolina	28.4	11.0	11.0	3.1	3.1	1.4	-0-
Tennessee	342.3	331.9	331.9	223.0	194.6	189.8	173.1
Virginia	201.8	191.3	191.3	157.9	157.4	146.7	134.2
West Virginia	425.8	411.4	411.4	322.4	314.5	245.5	238.5
TOTAL	3,334.1	2,889.9	2,889.9	2,233.1	1,974.8	1,700.1	1,463.8
Estimated Status as of:							
September 30, 1979		3,025.0	3,025.0	2,300.0	2,085.0	1,810.0	1,580.0
September 30, 1980		3,025.0	3,025.0	2,400.0	2,160.0	1,915.0	1,700.0

* Includes 38 miles of construction prefinanced.

** Of the total completed mileage, 1,427.3 miles have been opened to traffic.

Table F

APPALACHIAN HIGHWAY PROGRAM OBLIGATION NEEDS
STATE BY STATE SUMMARY

(THOUSANDS OF DOLLARS)

DEVELOPMENT HIGHWAYS:	Planning Allocation (thru 1981) 1/	Obligation thru 1978*	Estimated State Capabilities thru 1979	Cumulative Allocation Ceilings thru Sept. 1980	Estimated State Capabilities thru 1980
Alabama	$ 47,184	$ 27,718	$ 39,724	$ 42,445	$ 55,907
Georgia	67,459	41,252	57,560	62,040	69,020
Kentucky	422,349	401,196 *	471,613	411,931	517,418
Maryland	110,184	69,221	71,285	89,514	75,052
Mississippi	46,925	26,864*	40,235	46,364	60,577
New York	233,042	203,603*	245,313	221,379	284,942
North Carolina	131,372	119,856*	129,555	128,141	142,461
Ohio	117,680	97,444*	111,640	111,427	123,694
Pennsylvania	406,945	241,191	289,463	346,461	335,162
South Carolina	5,452	2,031*	4,397	4,468	6,666
Tennessee	290,680	208,643*	259,710	269,350	299,386
Virginia	110,771	105,234*	118,750	108,926	126,595
West Virginia	560,960	493,500*	563,858	547,057	583,336
Special Reserve	3,000	---	3,000	3,000	3,000
Subtotal	2,554,003	2,037,758	2,406,753	2,392,503	2,687,216
Access Roads	163,337	114,666	138,200	155,700	153,200
FHWA-Admin.-Misc.	20,660	13,917	15,900	19,797	17,900
Total	2,738,000	2,166,241	2,560,853	2,568,000	2,857,316
Appropriations	---	2,111,000	2,344,000	---	2,568,000
Amount Prefinanced	---	56,815	50,000	---	50,000
Unobligated Balances	---	1,475	---	---	---
Estimated additional state capablities	---	---	166,853	---	239,316

1/ Assumes appropriation of full authorization of $170 million for 1981.

* Includes prefinanced amounts shown below: (thousands of dollars)

Kentucky $23,927; Mississippi $14; New York $6,488; North Carolina $1,563; Ohio $2,771; South Carolina $669; Tennessee $5,599; Virginia $1,714; West Virginia $14,069.

Table G

APPALACHIAN ACCESS ROAD PROGRAM FINANCING AND ACCOMPLISHMENTS

(THOUSANDS OF DOLLARS)

	Total Allocation	Approved Projects 9/30/78	Cumulative Obligations Thru 9/30/78	Estimated Obligations Thru FY 79	Estimated Obligations Thru FY 1980
Alabama	$22,030	21,840	$20,400	$21,800	$22,000
Georgia	13,772	11,341	9,498	13,300	13,700
Kentucky	7,929	6,034	4,075	5,900	7,800
Maryland	3,576	3,312	2,149	3,300	3,500
Mississippi	27,349	21,531	17,884	20,000	27,000
New York	6,767	5,049	2,926	6,200	6,500
North Carolina	7,323	6,265	5,275	6,300	7,000
Ohio	7,747	5,966	4,694	5,300	7,000
Pennsylvania	19,425	19,086	12,838	18,900	19,400
South Carolina	16,131	14,431	14,431	15,000	16,000
Tennessee	13,284	11,484	10,012	10,600	13,000
Virginia	6,665	5,165	4,665	5,500	6,500
West Virginia	10,224	8,185	5,817	6,900	10,000
Subtotal	162,823	139,741	114,666	139,000	157,400
Less Slippage	---	---	---	-800	-6,200
Total	$162,823 1/	139,741	$114,666	$138,200	$153,200

STATUS OF MILEAGE

	Through 9/30/78	September 30, 1979	September 30 1980
Mileage Completed	579	670	710
Construction underway or Completed	680	730	780
Miles Approved	849	860	880

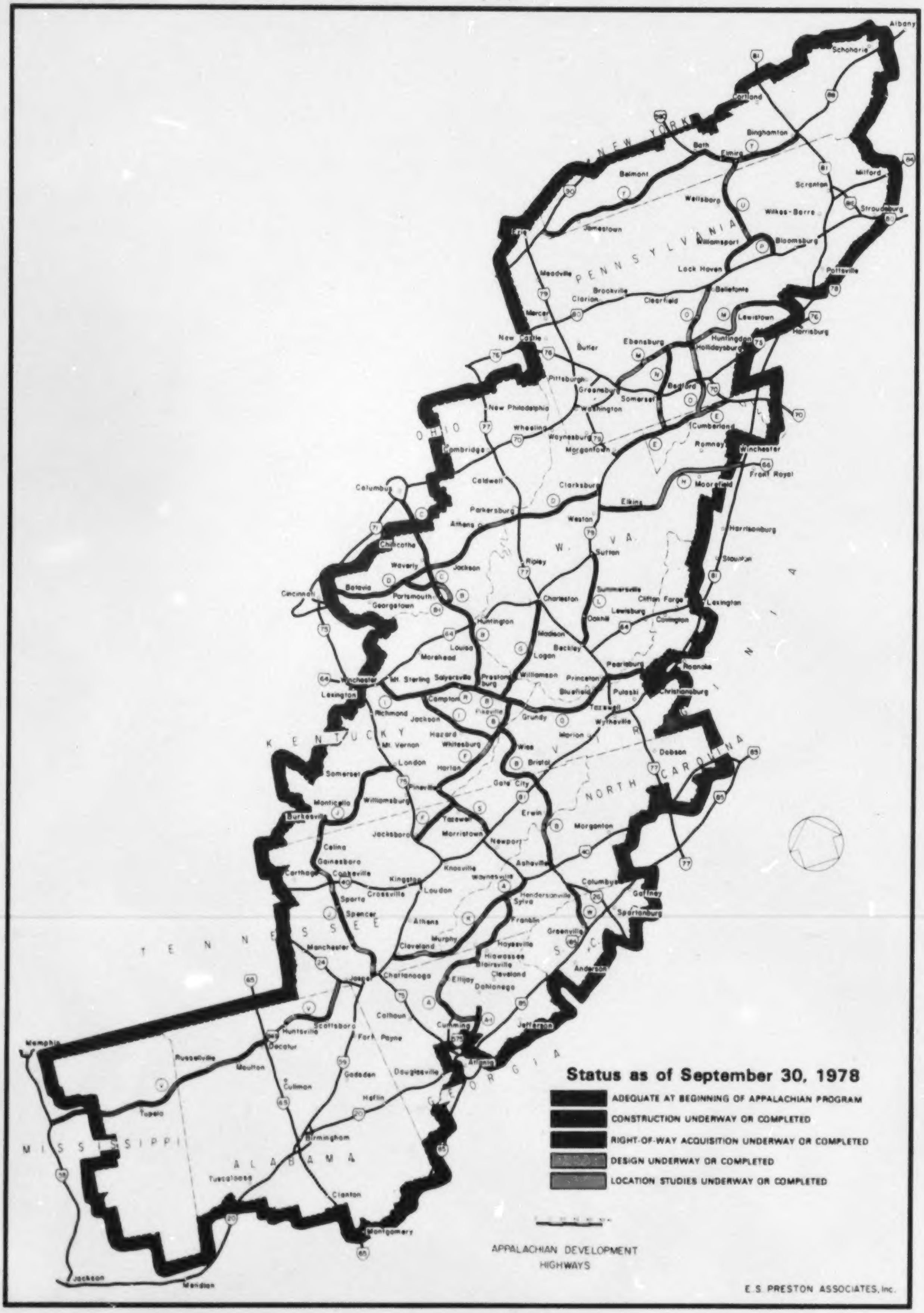
Statutory limitation on miles -- 1,400 through 1981.

1/ Including $21,623,000 for Development Access Roads.

Table H

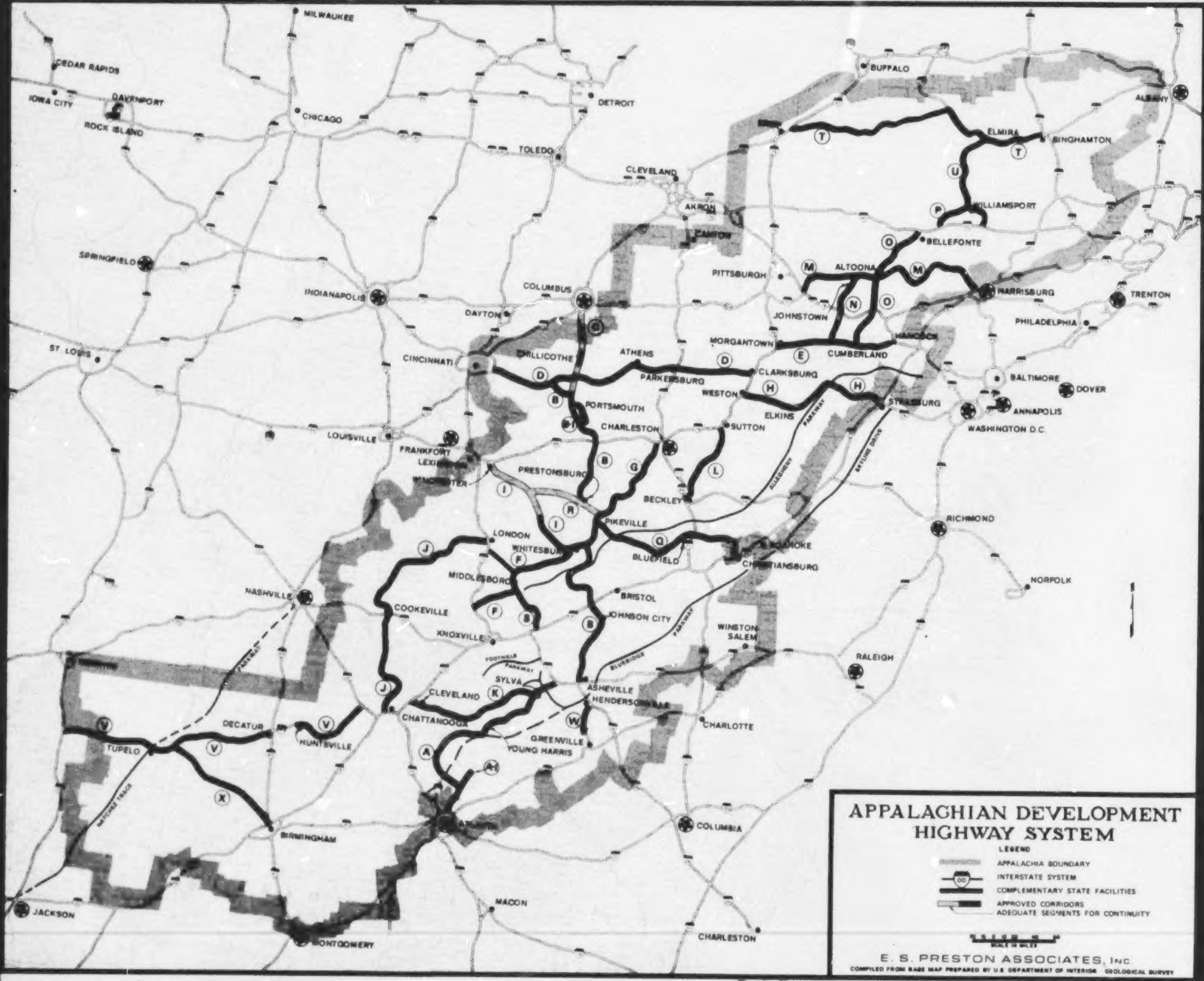
APPALACHIAN ACCESS ROADS
MILEAGE SUMMARY BY STATES

State	Total Approved Mileage	Location Studies Completed or Underway	Design Completed or Underway	Right of Way Completed or Underway	Construction Completed or Underway	Construction Completed
		......................Status as of 9/30/78				
Alabama	218.7	215.2	215.2	197.8	194.5	149.2
Georgia	36.6	27.9	27.9	27.9	24.1	13.9
Kentucky	17.4	15.7	15.7	13.5	13.5	7.0
Maryland	7.7	7.6	6.9	5.9	5.9	5.9
Mississippi	159.7	158.8	151.7	144.9	116.7	93.3
New York	8.3	8.3	8.3	3.9	3.9	3.9
North Carolina	29.4	20.4	20.4	19.8	19.8	15.3
Ohio	42.5	41.8	41.1	41.1	36.4	36.2
Pennsylvania	105.7	105.7	105.7	90.3	85.5	82.8
South Carolina	114.7	113.8	109.6	105.8	98.5	91.1
Tennessee	58.3	55.5	47.6	43.0	43.0	43.0
Virginia	19.6	19.6	19.6	18.3	18.3	18.3
West Virginia	22.4	22.2	22.2	21.2	20.0	19.4
Region	841.0	812.5	791.9	733.4	680.1	579.3


NEW YORK
PENNSYLVANIA
OHIO
W. VA.
VIRGINIA
KENTUCKY
NORTH CAROLINA
TENNESSEE
S. C.
GEORGIA
ALABAMA
MISSISSIPPI
Albany
Schoharie
Cortland
Binghamton
Bath
Elmira
Belmont
Wellsboro
Jamestown
Erie
Scranton
Milford
Wilkes-Barre
Stroudsburg
Williamsport
Bloomsburg
Lock Haven
Pottsville
Meadville
Brookville
Clarion
Clearfield
Bellefonte
Lewistown
Mercer
New Castle
Butler
Ebensburg
Huntingdon
Hollidaysburg
Harrisburg
Pittsburgh
Greensburg
Somerset
Bedford
Washington
New Philadelphia
Wheeling
Waynesburg
Morgantown
Cumberland
Romney
Winchester
Front Royal
Moorefield
Cambridge
Caldwell
Clarksburg
Elkins
Columbus
Parkersburg
Athens
Weston
Harrisonburg
Chillicothe
Waverly
Jackson
Ripley
Sutton
Staunton
Cincinnati
Batavia
Portsmouth
Georgetown
Charleston
Summersville
Clifton Forge
Lexington
Lewisburg
Oakhill
Covington
Huntington
Madison
Louisa
Morehead
Logan
Beckley
Roanoke
Winchester
Mt. Sterling
Salyersville
Prestonsburg
Williamson
Princeton
Pearisburg
Lexington
Campton
Pikeville
Bluefield
Pulaski
Christiansburg
Richmond
Jackson
Hazard
Grundy
Tazewell
Wytheville
Marion
Mt. Vernon
Whitesburg
Wise
Bristol
London
Harlan
Dobson
Somerset
Pineville
Gate City
Monticello
Williamsburg
Erwin
Burkesville
Tazewell
Morristown
Jacksboro
Newport
Morganton
Celina
Gainesboro
Knoxville
Asheville
Carthage
Cookeville
Kingston
Waynesville
Loudon
Columbus
Gaffney
Sparta
Crossville
Hendersonville
Sylva
Spartanburg
Spencer
Franklin
Athens
Greenville
Manchester
Murphy
Hayesville
Cleveland
Hiawassee
Blairsville
Anderson
Jasper
Chattanooga
Cleveland
Dahlonega
Ellijay
Calhoun
Scottsboro
Huntsville
Fort Payne
Cumming
Jefferson
Memphis
Decatur
Russellville
Moulton
Gadsden
Douglasville
Atlanta
Cullman
Heflin
Tupelo
Birmingham
Tuscaloosa
Clanton
Montgomery
Jackson
Meridian
Status as of September 30, 1978
ADEQUATE AT BEGINNING OF APPALACHIAN PROGRAM
CONSTRUCTION UNDERWAY OR COMPLETED
RIGHT-OF-WAY ACQUISITION UNDERWAY OR COMPLETED
DESIGN UNDERWAY OR COMPLETED
LOCATION STUDIES UNDERWAY OR COMPLETED

APPALACHIAN DEVELOPMENT
HIGHWAYS

E.S. PRESTON ASSOCIATES, Inc.


MILWAUKEE
CEDAR RAPIDS
IOWA CITY
DAVENPORT
ROCK ISLAND
CHICAGO
DETROIT
TOLEDO
CLEVELAND
AKRON
CANTON
BUFFALO
ALBANY
ELMIRA
BINGHAMTON
WILLIAMSPORT
BELLEFONTE
ALTOONA
PITTSBURGH
JOHNSTOWN
HARRISBURG
TRENTON
PHILADELPHIA
HANCOCK
MORGANTOWN
CUMBERLAND
CLARKSBURG
BALTIMORE
DOVER
ANNAPOLIS
WASHINGTON D.C.
STRASBURG
ELKINS
WESTON
PARKERSBURG
ATHENS
CHILLICOTHE
COLUMBUS
DAYTON
SPRINGFIELD
INDIANAPOLIS
CINCINNATI
ST LOUIS
LOUISVILLE
FRANKFORT
LEXINGTON
WINCHESTER
PORTSMOUTH
CHARLESTON
SUTTON
PRESTONSBURG
BECKLEY
PIKEVILLE
LONDON
WHITESBURG
BLUEFIELD
ROANOKE
CHRISTIANSBURG
RICHMOND
NORFOLK
MIDDLESBORO
BRISTOL
JOHNSON CITY
NASHVILLE
COOKEVILLE
KNOXVILLE
WINSTON SALEM
RALEIGH
SYLVA
ASHEVILLE
HENDERSONVILLE
CLEVELAND
CHATTANOOGA
DECATUR
HUNTSVILLE
TUPELO
CHARLOTTE
GREENVILLE
YOUNG HARRIS
ATLANTA
BIRMINGHAM
COLUMBIA
MACON
JACKSON
MONTGOMERY
CHARLESTON
PARKWAY
ALLEGHENY PARKWAY
SKYLINE DRIVE
BLUE RIDGE PARKWAY
FOOTHILLS PARKWAY
NATCHEZ TRACE
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X
LEGEND
APPALACHIA BOUNDARY
INTERSTATE SYSTEM
00
COMPLEMENTARY STATE FACILITIES
APPROVED CORRIDORS
ADEQUATE SEGMENTS FOR CONTINUITY
SCALE IN MILES

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

E. S. PRESTON ASSOCIATES, INC

COMPILED FROM BASE MAP PREPARED BY U.S. DEPARTMENT OF INTERIOR GEOLOGICAL SURVEY

Table K

SECTION 214 FIRST DOLLAR PROJECTS
1973-1978, YEARLY SUMMARY

	FY 1973		FY 1974		FY 1975		FY 1976		TQ 1976		FY 1977		FY 1978	
	Project	Dollar	Project	Dollar	Project	Dollar	Project	Dollar	Project	Dollar	Project	Dollars	Project	Dollar
Airport													1	200,000
Airport Safety					3	208,727	1	37,960					1	63,900
Communication System							2	728,000	1	44,000	1	116,000		
Community Improvement											1	180,000		
Diagnosis and Treatment CTR.														
Emergency Services			1	35,299										
ETV	7	1,842,046	1	489,416	4	1,623,800	2	281,600					1	517,800
Health Education														
Higher Education			3	1,045,335	5	1,729,026	3	997,781			2	900,000	1	169,500
Hospital	3	644,093			4	1,151,165	8	4,250,324	4	3,456,500	4	513,920		
Industrial Site Development							5	1,927,875			7	2,335,620	8	2,778,125
Library	1	500,000	2	283,328	2	350,000	4	721,992			3	767,100	3	1,141,105
Mental Health			1	150,000	2	2,382,469	5	2,473,405			1	178,308	2	681,600
Mental Retardation							1	24,000			1	180,000		
Neighborhood Facilities					1	200,000	1	480,000			8	1,306,398	1	400,000
Primary Care											1	80,000		
Public Health Center	1	140,000	2	272,250			1	993,000			1	200,000	1	60,000
Rail Access					1	250,000								
Recreation							4	1,884,044					1	88,000
Rehabilitation Center			1	300,800			4	1,057,706			2	700,000	2	453,159
Sewage System	1	1,916,200	8	2,858,009	7	1,529,570	7	1,299,040			5	975,500	7	1,418,890
Solid Waste	1	222,480	1	134,400	5	2,316,752	4	507,520			8	1,491,546	5	475,500
State Research													1	20,000
Vocational Education				944,000									1	200,000
Water System	6	1,913,500	25	6,355,542	18	4,724,457	6	1,613,684			14	4,492,850	14	4,638,530
Water and Sewage	1	38,480	6	1,436,622	9	4,053,041					4	707,880	2	764,723
Total First Dollar		7,216,779		14,315,001		20,519,007		19,277,931		3,500,500		15,125,122		14,070,832
Percent of ARC#214		18.9%		41.2%		39.6%		40.0%		86.1%		33.0%		31.8%
Percent of Total ARC Non-Highway Approvals		5.2%		11.6%		14.0%		14.8%		28.1%		12.6%		11.8%

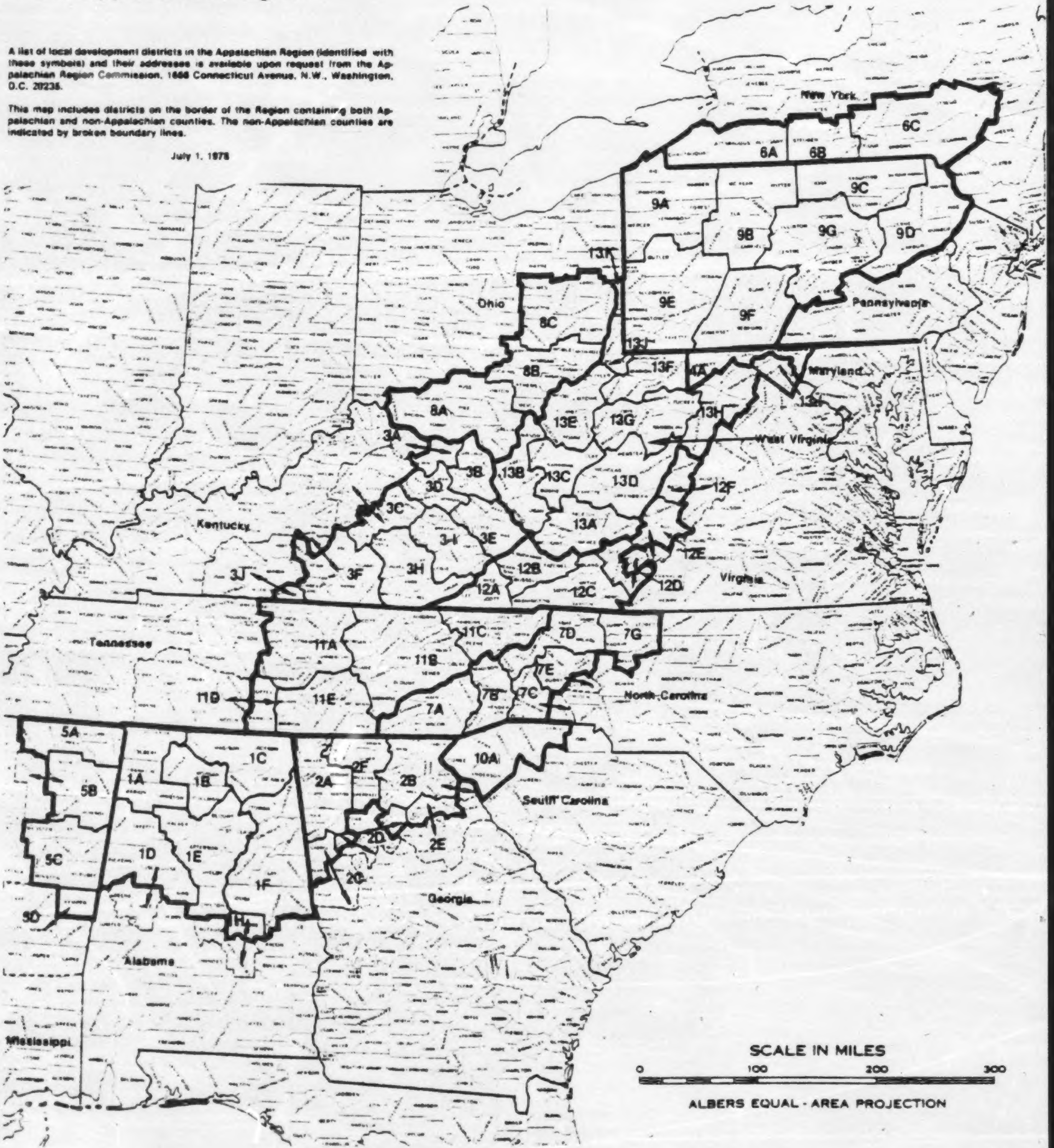
MAP L

Local Development Districts in the Appalachian Region

A list of local development districts in the Appalachian Region (identified with these symbols) and their addresses is available upon request from the Appalachian Region Commission, 1666 Connecticut Avenue, N.W., Washington, D.C. 20235.

This map includes districts on the border of the Region containing both Appalachian and non-Appalachian counties. The non-Appalachian counties are indicated by broken boundary lines.

July 1, 1978


New York
6A
6B
6C
9A
9C
9B
9G
9D
13K
Ohio
9E
9F
Pennsylvania
8C
13J
8B
13F
4A
Maryland
13L
8A
13H
13E
13G
West Virginia
3A
3B
13B
13C
13D
3D
12F
3C
Kentucky
13A
3E
3-I
12E
3J
3F
3H
12B
12A
12C
12D
Virginia
Tennessee
11A
11C
7D
7G
11B
7E
11D
11E
7B
7C
North Carolina
7A
5A
1C
2F
10A
1A
1B
2A
2B
5B
South Carolina
2D
2E
5C
1D
1E
2C
1F
Georgia
5D
1H
Alabama
Mississippi
SCALE IN MILES
0
100
200
300
ALBERS EQUAL - AREA PROJECTION

LOCAL DEVELOPMENT DISTRICTS IN THE APPALACHIAN REGION

ALABAMA

1A: Northwest Alabama Council of Local Governments
1B: North Central Alabama Regional Council of Governments
1C: Top of Alabama Regional Council of Governments
1D: West Alabama Planning and Development Commission
1E: Birmingham Regional Planning Commission
1F: East Alabama Regional Planning and Development Commission
1H: Central Alabama Regional Planning and Development Commission

GEORGIA

2A: Coosa Valley Area Planning and Development Commission
2B: Georgia Mountains Planning and Development Commission
2C: Chattahoochee-Flint Area Planning and Development Commission
2D: Atlanta Regional Commission
2E: Northeast Georgia Area Planning and Development Commission
2F: North Georgia Area Planning and Development Commission

KENTUCKY

3A: Buffalo Trace Area Development District, Inc.
3B: FIVCO Area Development District
3C: Bluegrass Area Development District, Inc.
3D: Gateway Area Development District, Inc.
3E: Big Sandy Area Development District, Inc.
3F: Lake Cumberland Area Development District, Inc.
3H: Cumberland Valley Area Development District, Inc.
3I: Kentucky River Area Development District, Inc.
3J: Barren River Area Development District, Inc.

MARYLAND

4A: Tri-County Council for Western Maryland, Inc.

MISSISSIPPI

5A: Northeast Mississippi Planning and Development District
5B: Three Rivers Planning and Development District
5C: Golden Triangle Planning and Development District
5D: East Central Mississippi Planning and Development District

NEW YORK

6A: Southern Tier West Regional Planning and Development Board
6B: Southern Tier Central Regional Planning and Development Board
6C: Southern Tier East Regional Planning Development Board

NORTH CAROLINA

7A: Southwestern North Carolina Planning and Economic Development Commission
7B: Land-of-Sky Regional Council
7C: Isothermal Planning and Development Commission
7D: Region D Council of Governments
7E: Western Piedmont Council of Governments
7G: Northwest Economic Development Commission

OHIO

8A: Ohio Valley Regional Development Commission
8B: Buckeye Hills-Hocking Valley Regional Development District, Inc.
8C: Ohio Mid-Eastern Governments Association

PENNSYLVANIA

9A: Northwestern Pennsylvania Regional Planning and Development Commission
9B: North Central Pennsylvania Regional Planning and Development Commission
9C: Northern Tier Regional Planning and Development Commission
9D: Economic Development Council of Northeastern Pennsylvania
9E: Southwestern Pennsylvania Economic Development District
9F: Southern Alleghenies Planning and Development District
9G: SEDA-Council of Governments

SOUTH CAROLINA

10A: South Carolina Appalachian Council Governments

TENNESSEE

11A: Upper Cumberland Development District
11B: East Tennessee Development District
11C: First Tennessee-Virginia Development District
11D: South Central Tennessee Development District
11E: Southeast Tennessee Development District

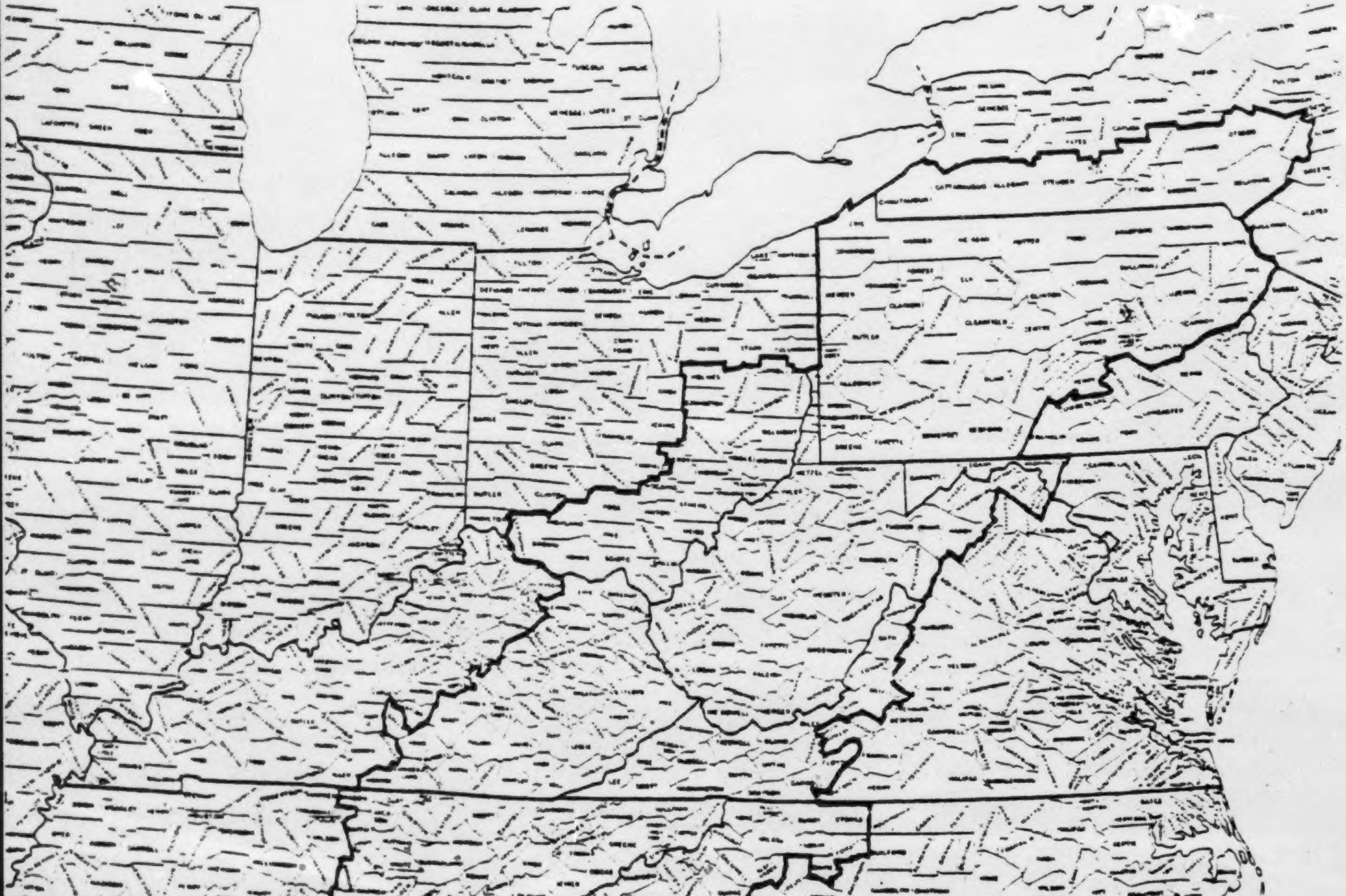
VIRGINIA

12A: LENOWISCO Planning District Commission
12B: Cumberland Plateau Planning District
12C: Mount Rogers Planning District Commission
12D: New River Valley Planning District Commission
12E: Fifth Planning District Commission
12F: Central Shenandoah Planning District Commission

WEST VIRGINIA

13A: Region 1 Planning and Development Council
13B: Region 2 Planning and Development Council
13C: B-C-K-P Regional Intergovernmental Council (Region 3)
13D: Region 4 Planning and Development Council (Gauley)
13E: Mid-Ohio Valley Regional Council (Region 5)
13F: Region 6 Planning and Development Council
13G: Region 7 Planning and Development Council
13H: Region 8 Planning and Development Council
13I: Eastern Panhandle Regional Planning and Development Council (Region 9)
13J: Bel-o-Mar Regional Council and Planning Commission (Region 10)
13K: B H J Planning Commission (Region 11)

MAP N



The Appalachian Region

SCALE IN MILES
0
100
200
300
ALBERS EQUAL-AREA PROJECTION

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Table P

Population Trends and Annual Rates of Change
Appalachian Region and United States
1960-1977

Geographical Division	Population July 1, 1977[1] (thousands)	April 1, 1970[2] (thousands)	July 1, 1966 (thousands)	April 1, 1960 (thousands)	Annual Rate of Change 1970-77 (percent)	1966-70 (percent)	1960-66 (percent)
United States	216,332	203,305	195,531	179,311	0.86%	1.0 %	1.4 %
Appalachian Region	19,327.3	18,217.1	18,105.5	17,726.6	0.82%	0.16%	0.34%
Subregions							
Northern Appalachia	9,907.0	9,734.0	9,737.6	9,705.6	0.24%	-0.01%	0.05%
Maryland	215.1	209.3	209.7	195.8	0.4	-0.05	1.1
New York	1,081.7	1,056.6	1,060.1	1,000.1	0.3	-0.1	0.9
Ohio	1,198.8	1,129.9	1,150.9	1,119.6	0.8	-0.5	0.4
Pennsylvania	5,924.6	5,930.5	5,896.8	5,930.8	0.0	0.15	-0.1
West Virginia	1,486.7	1,407.7	1,420.0	1,459.4	0.8	-0.2	-0.4
Central Appalachia	1,982.6	1,744.9	1,816.6	1,879.1	1.8%	-1.1 %	-0.5 %
Kentucky	996.5	876.5	912.6	922.2	1.8	-1.1	-0.2
Tennessee	380.8	334.6	338.2	327.7	1.8	-0.3	0.5
Virginia	232.6	197.3	210.8	228.2	2.3	-1.8	-1.3
West Virginia	372.7	336.5	354.9	401.0	1.4	-1.4	-1.9
Southern Appalachia	7,437.8	6,738.2	6,551.3	6,141.8	1.4%	0.75%	1.0 %
Alabama	2,285.0	2,137.4	2,132.0	1,982.3	0.9	0.07	1.2
Georgia	997.6	813.8	746.1	675.0	2.8	2.3	1.6
Mississippi	455.0	418.6	415.6	406.2	1.2	1.9	0.4
North Carolina	1,130.6	1,039.0	1,013.2	939.7	1.2	0.7	1.2
South Carolina	729.3	656.4	610.2	586.5	1.5	2.0	0.6
Tennessee	1,549.5	1,399.9	1,358.2	1,280.0	1.4	0.8	0.95
Virginia	290.8	273.0	276.0	272.1	0.9	-0.3	0.2
State Parts[3]							
Tennessee	1,930.2	1,734.5	1,696.4	1,607.1	1.5%	0.6 %	0.9 %
Virginia	523.4	470.3	486.8	500.3	1.5	-0.9	-0.4
West Virginia[4]	1,859.4	1,744.2	1,774.9	1,860.4	0.9	-0.5	-0.75

Source: Compiled by ARC from U.S. Bureau of the Census, 1977 county population estimates, 1970 Census of Population (revised data) and 1960 Census of Population. 1966 population estimates based on census county population estimates for July 1, 1966, revised and adjusted by ARC to new state total estimates developed by U.S. Bureau of the Census (data published in Series P-25, no. 460. Table 1) in 1971.

Note: All data totals are independently rounded from unrounded source data; totals may not add due to rounding.

[1] U.S. Bureau of Census provisional population estimates for July 1, 1977.

[2] Revised 1970 U.S. Bureau of Census population data.

[3] Figures for the two subregional portions of these three states, the only states which fall in two subregions, are combined here.

[4] Entire state.

Table Q

Civilian Resident Labor Force, Employment and Unemployment
Appalachian Region and United States
1970–1977

	1977 Average				Civilian Labor Force Unemployment		
Geographical Division	**Civilian Labor Force** (thousands)	**Employed Persons** (thousands)	**Unemployed Persons** (thousands)	**Civilian Labor Force Unemployment** (percent)	**1976** (percent)	**1975** (percent)	**1970** (percent)
United States	97,401	90,546.1	6,855	7.0%	7.7%	8.5%	4.9%
Appalachian Region	8,142.5	7,558.1	584.4	7.2%	7.6%	8.7%	5.4%
Subregions							
Northern Appalachia	4,095.5	3,777.7	317.8	7.8%	8.4%	8.9%	5.5%
Maryland	90.7	80.8	9.9	10.9	10.1	9.9	6.2
New York	465.6	426.1	39.5	8.5	9.1	8.6	5.1
Ohio	476.7	441.0	35.7	7.5	8.8	10.1	6.5
Pennsylvania	2,492.3	2,299.2	193.1	7.7	8.3	9.0	5.3
West Virginia	570.2	530.5	39.7	7.0	7.7	7.4	6.0
Central Appalachia	749.3	701.2	48.1	6.4%	6.6%	7.8%	7.0%
Kentucky	392.2	370.4	21.8	5.6	6.4	7.6	7.5
Tennessee	147.6	136.2	11.5	7.8	7.7	11.4	6.6
Virginia	86.6	81.2	5.4	6.3	6.0	6.0	6.9
West Virginia	122.8	113.5	9.3	7.6	6.5	5.4	6.3
Southern Appalachia	3,297.7	3,079.2	218.5	6.6%	6.7%	8.7%	4.9%
Alabama	972.6	899.8	72.8	7.5	7.1	8.1	6.2
Georgia	424.9	398.0	26.9	6.3	8.3	9.3	3.8
Mississippi	198.2	183.9	14.3	7.2	6.5	9.1	5.1
North Carolina	547.7	517.2	30.6	5.6	6.0	9.3	4.5
South Carolina	350.6	328.5	22.0	6.3	6.2	8.7	3.7
Tennessee	669.3	626.1	43.2	6.5	5.9	8.3	4.9
Virginia	134.4	125.7	8.7	6.5	7.7	8.8	4.5
State Parts*							
Tennessee	816.9	762.3	54.6	6.7%	6.2%	8.8%	5.2%
Virginia	221.0	206.9	14.1	6.4	7.1	7.7	5.4
West Virginia†	693.0	644.0	49.0	7.1	7.5	7.0	6.1

Source: National data from U.S. Department of Labor, Bureau of Labor Statistics, based on U.S. Bureau of Census household surveys. State data from individual state reporting agencies.

*Figures for the two subregional portions of these three states, the only states which fall in two subregions, are combined here.

†Entire state.

Table R
Per Capita Money Income,
with 196901975 Trends,
Appalachian Region and United States

	Population		Per Capita Money Income		As a Percent of U.S. Average		1969-75 Per Capita Income Change
	July 1, 1976 (thousands)	April 1, 1970 (thousands)	1975 (dollars)	1969 (dollars)	1975 (percent)	1969 (percent)	(percent)
UNITED STATES	214,669	203,305	$ 4,838	$ 3,119	100.00%	100.00%	+ 55.1 %
APPALACHIAN REGION	19,192	18,217	$ 4,042	$ 2,506	83.55%	80.33%	+ 61.3 %
NORTHERN APPALACHIA	9,898	9,734	$ 4,262	$ 2,698	88.09%	86.51%	+ 58.0 %
Maryland	216	209	4,068	2,599	84.08	83.33	+ 56.5
New York	1,087	1,057	4,081	2,845	84.35	91.23	+ 43.4
Ohio	1,191	1,130	3,824	2,443	79.05	78.32	+ 56.6
Pennsylvania	5,938	5,931	4,437	2,790	91.71	89.45	+ 59.0
West Virginia	1,467	1,408	4,069	2,421	84.12	77.61	+ 68.1
CENTRAL APPALACHIA	1,947	1,745	$ 3,358	$ 1,824	69.40%	58.48%	+ 84.1 %
Kentucky	983	877	3,163	1,732	65.38	55.55	+ 82.6
Tennessee	374	335	3,236	1,931	66.89	61.90	+ 67.6
Virginia	225	197	3,756	1,807	77.63	57.92	+107.9
West Virginia	365	336	3,761	1,966	77.74	63.05	+ 91.3
SOUTHERN APPALACHIA	7,346	6,738	$ 3,926	$ 2,404	81.15%	77.07%	+ 63.3 %
Alabama	2,265	2,137	4,075	2,430	84.22	77.91	+ 67.7
Georgia	974	814	3,844	2,419	79.45	77.56	+ 58.9
Mississippi	448	419	3,133	1,861	64.75	59.68	+ 68.3
North Carolina	1,121	1,039	3,965	2,437	81.95	78.12	+ 62.7
South Carolina	727	656	4,128	2,571	85.32	82.43	+ 60.5
Tennessee	1,523	1,400	3,927	2,438	81.18	78.17	+ 61.1
Virginia	288	273	3,600	2,281	74.41	73.14	+ 57.8
STATES PARTS							
Tennessee	1,897	1,735	$ 3,791	$ 2,340	78.37%	75.03%	+ 62.0
Virginia	513	470	3,668	2,082	75.82	66.76	+ 76.2
West Virginia (state)	1,832	1,744	4,008	2,333	82.85	74.80	+ 71.8

Source: U.S. Bureau of Census population and per capita income estimates for revenue sharing published in Current Population Estimates (Series P-25,Nos. 740-799), Washington, DC January 1979. Appalachian Region data tabulated by ARC Staff.

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